

TONG

TONG HERR RESOURCES BERHAD
[Registration No. 199701016642 (432139-W)]

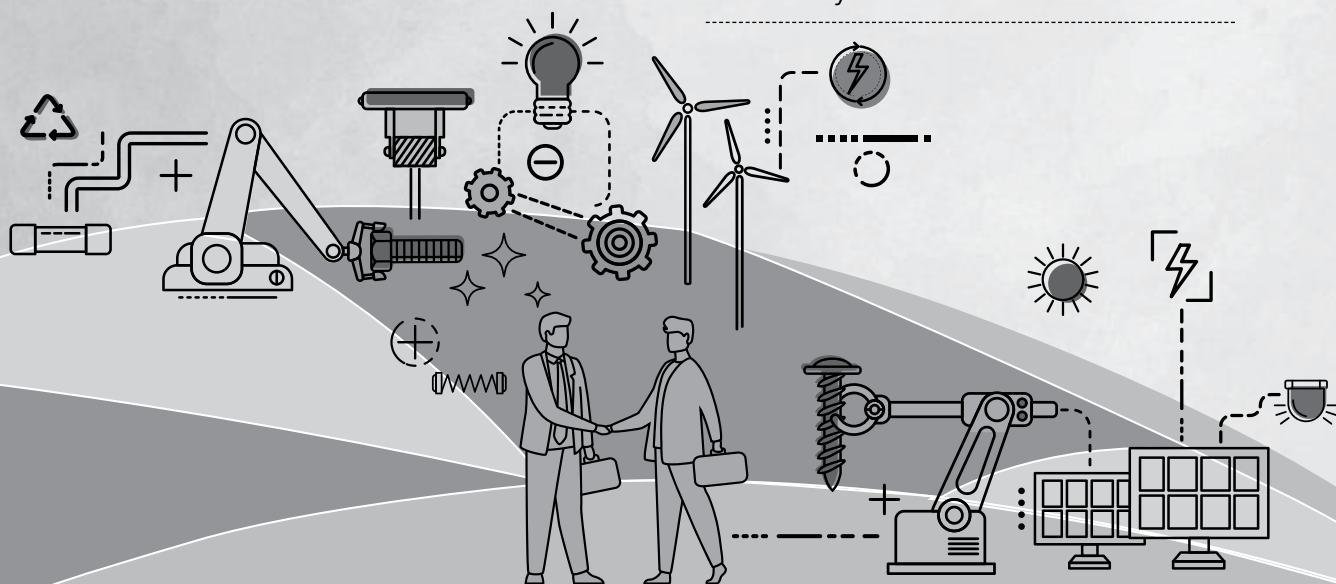


EXPANDING TO SUSTAINABILITY

ANNUAL REPORT 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS**Tsai Ming Ti**

Executive Chairman

Tsai Yi Ting

Managing Director

Tan Ban Leong

Executive Director

Tsai Pei Chen

Non-Independent Non-Executive Director

Tsai, Hung-Chuan

Non-Independent Non-Executive Director

Tsai, Chia-Yen

Non-Independent Non-Executive Director

Rohaiza Binti Mohamed BasirIndependent Non-Executive Director
(Appointed w.e.f. 22 May 2023)**Datin Nik Haslinda Binti Nik Mohd Hashim**Independent Non-Executive Director
(Appointed w.e.f. 22 May 2023)**Soon Gim Wooi**Independent Non-Executive Director
(Appointed w.e.f. 22 May 2023)**Datuk Abdul Munir Bin Megat Abdullah Rafaie**

(Resigned w.e.f. 22 May 2023)

Fazrin Azwar Bin Dato' Haji Md. Nor

(Resigned w.e.f. 22 May 2023)

Teh Eng Hin

(Resigned w.e.f. 22 May 2023)

SECRETARIES**Teo Mee Hui**(Appointed w.e.f. 20 November 2023)
[SSM PC No. 202008001081
(MAICSA 7050642)]**Lee Mei-Mei**[SSM PC No. 202008002962
(MAICSA 7062284)]**Angelina Cheah Gaik Suan**(Resigned w.e.f. 20 November 2023)
[SSM PC No. 202008002177
(MAICSA 7035272)]**AUDIT COMMITTEE****Datin Nik Haslinda Binti Nik Mohd Hashim**

(Chairman)

Rohaiza Binti Mohamed Basir**Soon Gim Wooi****NOMINATING COMMITTEE****Rohaiza Binti Mohamed Basir**

(Chairman)

Tsai, Hung-Chuan**Soon Gim Wooi****RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE****Datin Nik Haslinda Binti Nik Mohd Hashim**

(Chairman)

Rohaiza Binti Mohamed Basir**Soon Gim Wooi****Tsai Yi Ting****AUDITORS****Crowe Malaysia PLT**

[201906000005 (LLP0018817-LCA) & AF 1018]

BANKERSAmbank Berhad
CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Taichung Commercial Bank Co. Limited
United Overseas Bank (Malaysia) Berhad**REGISTERED OFFICE**Suite S-21-H, 21st Floor
Menara Northam
55 Jalan Sultan Ahmad Shah
10050 George Town Penang
Tel: 04-210 7118/2/3
Fax: 04-210 7111
Email: TMFPg_cosec@tmf-group.com**REGISTRAR****Tricor Investor & Issuing House Services Sdn Bhd**Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel: 03-2783 9299
Fax: 03-2783 9222
Email: is.enquiry@my.tricorglobal.com**MAILING ADDRESS**No. 2515 Tingkat Perusahaan 4A
Perai Free Trade Zone
13600 Perai, Penang
Tel: 04-390 3970
Fax: 04-390 0840/1
Email: tongheer@tong.com.my**CORPORATE WEBSITE**

www.tong.com.my

STOCK EXCHANGE LISTINGMain Market of Bursa Malaysia
Securities Berhad**STOCK CODE/ STOCK NAME**

5010/ TONGHER

NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting (27th AGM) of the Company will be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Wednesday, 29 May 2024, at 2.00 p.m. for the following purposes: -

A G E N D A

- | | |
|---|---------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the reports of the Directors and Auditors thereon. | (Please refer to Note A) |
| 2. To approve the payment of a Final Single Tier Dividend of RM0.075 per share for the financial year ended 31 December 2023. | Resolution 1 |
| 3. To re-elect the following Directors retiring under the provision of Article 95(1) and Article 102 of the Constitution of the Company respectively, and who, being eligible had offered themselves for re-election: - | |
| i) Mr. Tsai Ming Ti [Article 95(1)] | Resolution 2 |
| ii) Mr. Tan Ban Leong [Article 95(1)] | Resolution 3 |
| iii) Ms. Tsai, Chia-Yen [Article 95(1)] | Resolution 4 |
| iv) Datin Nik Haslinda Binti Nik Mohd Hashim [Article 102] | Resolution 5 |
| v) Puan Rohaiza Binti Mohamed Basir [Article 102] | Resolution 6 |
| vi) Mr. Soon Gim Wooi [Article 102] | Resolution 7 |
| 4. To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorize the Board of Directors to determine their remuneration. | Resolution 8 |

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications, the following ordinary resolutions: -
- 5.1 *Proposed Payment of Directors' Fees and Benefits*
- "To approve the payment of Directors' Fees and Benefits amounting to RM150,000 only from this AGM up to the date of the next AGM."
- Resolution 9**
- 5.2 *Proposed Authority to Issue Shares and Waiver of Pre-Emptive Rights*
- "THAT subject always to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental/ regulatory authorities, if applicable, the Board of Directors be and is hereby authorized to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being
- AND THAT pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 62 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016;
- THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;
- AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."
- Resolution 10**

NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

SPECIAL BUSINESS (Cont'd)5.3 *Proposed Renewal of Authority to Purchase its own Shares*

"THAT subject to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorized to purchase its own shares through Bursa Securities, subject to the following: -

Resolution 11

- (a) The maximum number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s);
- (c) The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- (d) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner: -
 - (i) to cancel the shares so purchased; or
 - (ii) to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or wresell on the market of the Bursa Securities or subsequently cancelled; or
 - (iii) to retain part of the shares so purchased as treasury shares and cancel the remainder; or
 - (iv) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

The Directors of the Company be and are hereby authorized to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of the Company's shares in accordance with the Act, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

5.4 *Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature*

"THAT subject to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into and to give effect to the recurrent related party transactions as specified in Section 2.4 (a) of the Circular to the shareholders dated 26 April 2024 provided that such transactions which are necessary for the Group's day to day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favorable to the Mandated Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

Resolution 12

NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

SPECIAL BUSINESS (Cont'd)

AND THAT the Proposed Shareholders' Mandate shall continue to be in force until: -

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed; or
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of Act);
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND FURTHER THAT the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

5.5 *Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature*

"THAT subject to the Act, provisions of the Constitution of the Company and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, approval be and is hereby given to the Company and/ or its subsidiaries ("the Group") to enter into and to give effect to the recurrent related party transactions as specified in Section 2.4 (b) of the Circular to the shareholders dated 26 April 2024 provided that such transactions which are necessary for the Group's day to day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favorable to the Mandated Related Parties than those generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

Resolution 13

AND THAT the Proposed Shareholders' Mandate shall continue to be in force until: -

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed; or
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND FURTHER THAT the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

6. *To transact any other business for which due notice shall have been given in accordance with the Act.*

By Order of the Board,

TEO MEE HUI (MAICSA 7050642) / SSM PC No. : 202008001081
LEE MEI-MEI (MAICSA 7062284) / SSM PC No. : 202008002962
Secretaries
Penang

Date: 26 April 2024

NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

NOTES:

- A. This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act do not require a formal approval of the shareholders and hence, is not put forward for voting.
- B. The profile of the Directors who are standing for re-election (as per Resolutions 2 to 7 stated above) at this AGM are set out in the "Profile of Directors" section from pages 16 to 18 of the Company's Annual Report 2023.

PROXY

1. In respect of deposited securities, only depositors whose names appear in the Record of Depositors as at 21 May 2024 shall be entitled to attend the Meeting and to speak or vote thereat.
2. A member of the Company who is entitled to attend and vote at a meeting of the Company, may appoint not more than two (2) proxies to attend and vote instead of the member at the meeting. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. A proxy need not be a member. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company who is an authorized nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorized.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarized certified copy of that power or authority, shall be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 George Town, Penang or alternatively, to submit the proxy form electronically via TIH Online website at <https://tih.online> not less than forty-eight (48) hours before the time fixed for holding the meeting. Please refer to the Administrative Guide for the 27th AGM on the procedure for electronic lodgement of proxy form.

Explanatory Notes On Special Business:

1. Ordinary Resolution 9

The proposed resolution is in accordance with Article 103(c) of the Constitution of the Company and Section 230(1) of the Act and if passed, will authorize the payment of Directors' Fees and benefits to the Directors of the Company for their services as Directors from this AGM up to the date of next AGM.

2. Ordinary Resolution 10

The proposed Resolution, if approved, will allow the Company to waive the statutory pre-emptive rights of the shareholders of the Company to be offered with the new shares ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this mandate.

This is also to approve the disapplication of statutory pre-emption rights under the Section 85 of the Act, to allot new shares (or to grant rights over shares) without first offering them to existing shareholders in proportion to their holdings pursuant to the general mandate.

The proposed resolution, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The renewed mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Twenty-Sixth Annual General Meeting held on 22 May 2023 which will lapse at the conclusion of the Twenty-Seventh Annual General Meeting.

NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

3. **Ordinary Resolution 11**

The proposed resolution, if passed, will empower the Directors of the Company to purchase the Company's own shares up to ten per cent (10%) of the total number of issued shares of the Company by utilizing the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Further information on the proposed Resolution is set out in the Share Buy-Back Statement in pages 10 to 14 of this Annual Report 2023.

4. **Ordinary Resolutions 12 and 13**

The proposed resolution, if passed, will authorize the Company and/or its subsidiaries to enter into recurrent related party transactions of revenue or trading nature. The recurrent related party transactions are in the ordinary course of business and which are not more favorable to the Mandated Related Parties than those generally available to the public. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. Please refer to the Circular to shareholders dated 26 April 2024.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at this meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for this meeting and the preparation and compilation of the attendance lists, minutes and other documents relating to this meeting, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



TONG HERR RESOURCES BERHAD

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS STANDING FOR A RE-ELECTION)

Pursuant to Paragraph 8.27(2) of the Bursa Securities Listing Requirements for Main Market, no individual is seeking election as a Director at the Twenty-Seventh Annual General Meeting of the Company.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that a Final Single Tier Dividend of RM0.075 per share for the financial year ended 31 December 2023, if approved, will be paid on June 14, 2024 to depositors registered in the Records of Depositors on June 4, 2024.

A Depositor shall qualify for entitlement to the Dividend in respect of: -

- a) shares transferred into the Depositor's Securities Account before 4.30 p.m. on June 4, 2024 in respect of transfers;
- b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board,

TEO MEE HUI (MAICSA 7050642) / SSM PC No. : 202008001081
LEE MEI-MEI (MAICSA 7062284) / SSM PC No. : 202008002962
Secretaries
Penang

Date:

SHARE BUY-BACK STATEMENT

1. Disclaimer Statement

This Share Buy-Back Statement ("Statement") is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisor immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Statement prior to its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

2. Rationale for the Proposed Purchase by Tong Herr Resources Berhad ("THR" or the "Company") of its own ordinary shares ("Shares") up to a maximum of ten per centum (10%) of the existing total number of share capital of the Company ("Proposed Share Buy-Back")

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) allows the Company to take preventive measures against speculation particularly when its Shares are undervalued which would in turn stabilise the market price of the Shares and hence enhance investors' confidence;
- (b) if the Shares bought back by the Company are cancelled, shareholders of the Company are likely to enjoy an increase in the value of their investment in the Company as the net Earnings Per Share ("EPS") of the Company will increase; and
- (c) reduces the liquidity level and stabilise the supply, demand and price of its Shares in the open market, thereby supporting the fundamental value of the Shares.

3. Retained Profits

Based on the unaudited financial statements for the financial year ended 31 December 2023, the retained profits of the Company stood at RM19,455,000 (audited as at 31 December 2023: RM19,455,000).

4. Source of Funds

The Proposed Share Buy-Back will be financed from both internally generated funds of the Group and/or external borrowings. The portion of which to be utilised will depend on the actual number of Shares bought, the price of Shares and the availability of funds at the time of the purchase(s). If borrowings are used for the Proposed Share Buy-Back, the Company will experience a decline in its net cash flow to the extent of the interest costs associated with such borrowings but the Board does not foresee any difficulty in repaying the borrowings, if any, is used for the Proposed Share Buy-Back. Based on the audited consolidated financial statements as at 31 December 2023, the Group has cash and cash equivalent balance of approximately RM127,732,000.

5. Direct and Indirect Interests of Directors and Major Shareholders and/or Persons Connected to Them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and major shareholders of THR nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

SHARE BUY-BACK STATEMENT

5. Direct and Indirect Interests of Directors and Major Shareholders and/or Persons Connected to Them (Cont'd)

The Direct and Indirect Interests of Directors and Substantial Shareholders of THR as at 27 March 2024 are as follows:-

Name	Before proposed buy-back#				After proposed buy-back *			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors and major shareholders</u>								
Tsai Ming Ti	2,020,402	1.316	50,178,357	32.686	2,020,402	1.426	50,178,357	35.415
Tsai, Hung-Chuan	-	-	61,191,043	39.859	-	-	61,191,043	43.187
Tsai Yi Ting	198,000	0.129	49,044,307	31.947	198,000	0.140	49,044,307	34.615
Tsai Pei Chen	731,100	0.476	49,044,307	31.947	731,100	0.516	49,044,307	34.615
Tsai, Chia-Yen	-	-	61,191,043	39.859	-	-	61,191,043	43.187
<u>Directors</u>								
Tan Ban Leong	45,000	0.029	-	-	45,000	0.032	-	-
Datin Nik Haslinda Binti Nik Mohd Hashim	-	-	-	-	-	-	-	-
Rohaiza Binti Mohamed Basir	-	-	-	-	-	-	-	-
Soon Gim Wooi	-	-	-	-	-	-	-	-
<u>Person connected to major shareholders</u>								
Tsai Liao Chin Yeh	1,134,050	0.739	51,064,709	33.263	1,134,050	0.800	51,064,709	36.041
Tsai, Jane-Rong	-	-	61,191,043	39.859	-	-	61,191,043	43.187
Tsai Chia Chen	51,300	0.033	-	-	51,300	0.036	-	-
<u>Major shareholders</u>								
Allrich Corp	61,191,043	39.859	-	-	61,191,043	43.187	-	-
Richard Holdings Limited	49,044,307	31.947	-	-	49,044,307	34.615	-	-

based on the issued shares of 157,430,000 ordinary shares excluding 3,912,300 treasury shares.

* Assuming that the maximum number of Shares up to ten per centum (10%) of the total authorised under the Proposed Share Buy-Back are purchased and cancelled.

SHARE BUY-BACK STATEMENT

6. Potential Advantages and Disadvantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are disclosed in Section 2 of this Statement.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) The Proposed Share Buy-Back will reduce the financial resources of the Group and may result the Group foregoing better investment opportunities that may emerge in future; and
- (b) As the Proposed Share Buy-Back can only be made out of retained profits of the Company, it may result in reduction of financial resources available for distribution to shareholders in the immediate future.

In any event, the Board will be mindful of the interest of THR and its shareholders in undertaking the Proposed Share Buy-Back and in the subsequent cancellation of the Shares purchased, if any.

7. Financial Effects of the Proposed Share Buy-Back

The financial effects of the Proposed Share Buy-Back on the Company and the Group are set out below:-

(a) Share Capital

The effect of the Proposed Share Buy-Back on the issued shares of the Company assuming that the maximum number of Shares up to ten per centum (10%) of the total number of issued shares authorised under the Proposed Share Buy-Back are purchased and cancelled, is as set out below:-

	No. of Shares	RM
Existing share capital of THR as at 27 March 2024	157,430,000	185,930,000
Assuming Shares purchased are cancelled	(15,743,000)	(15,743,000)
	<u>141,687,000</u>	<u>170,187,000</u>

On the other hand, if the Shares purchased are retained as treasury shares, the Proposed Share Buy-Back will not affect the issued shares of THR but the rights attached to them in relation to the voting, dividends and participation in any other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including calculation of substantial shareholdings, take-overs, notices, the requisitioning of meetings, calculation of quorum for meetings and the result of vote on a resolution at a meeting.

(b) Earnings

The effect of the Proposed Share Buy-Back on the EPS of the Group will depend on the purchase prices of the Shares and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group. Assuming the Shares purchased are retained as treasury shares and resold, the effects on the earnings of the THR Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

If the Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the EPS of the Group. However, the increase in EPS will be affected to the extent of the quantum of the reduction in the interest income and/or increase in the interest expense incurred in relation to the Proposed Share Buy-Back.

(c) Net Assets ("NA")

The effect of the Proposed Share Buy-Back on the NA of the Group will depend on the purchase price of the Shares and the effective funding cost to the Group to finance the purchase of Shares or any loss in interest income to the Group.

In the event that all the Shares are cancelled, the Proposed Share Buy-Back would reduce the NA of the Group when the purchase price per Share exceeds the NA per Share at the relevant point in time, and vice versa.

The Proposed Share Buy-Back will reduce the working capital of the Group, the quantum of which will depend on the purchase prices of the Shares and the number of Share purchased.

SHARE BUY-BACK STATEMENT

7. Financial Effects of the Proposed Share Buy-Back (Cont'd)

(c) Net Assets ("NA") (Cont'd)

The NA per Share will decrease if the Shares purchased are retained as treasury shares due to the requirement for treasury shares to be carried at cost and offset against equity, resulting in a decrease in the NA by the cost of the treasury shares. If the treasury shares are resold on the Bursa Securities, the NA per Share will increase if the Company realise a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the NA per Share will decrease by the cost of the treasury shares.

(d) Dividends

The Board of Directors recommends a Final Single-Tier Dividend of RM0.075 per share subject to shareholders' approval at the forthcoming Annual General Meeting.

The Proposed Share Buy-Back is not expected to have any material effect on the dividends to be declared by the Company, if any, for the financial year ending 31 December 2024.

8. Implication of the Proposed Share Buy-Back relating to the Malaysian Code on Take-overs and Mergers, 2016

The Proposed Share Buy-Back will not have any implication on the Company and its substantial shareholders in relation to the Malaysian Code on Take-overs and Mergers, 2016.

9. Purchases made in Last Financial Year

There was no purchases made by the Company during the preceding 12 months. All the shares purchased earlier were retained as Treasury Shares. As at 27 March 2024, a total of 3,912,300 repurchased Share were held as Treasury Shares.

There was no transfer or cancellation of Treasury Shares in the preceding 12 months.

10. Historical Share Prices

The monthly highest and lowest market prices of THR Share traded on Bursa Securities in the preceding twelve (12) months were as follows:-

	Highest (RM)	Lowest (RM)
2023		
April	3.20	2.27
May	2.73	2.54
June	2.69	2.60
July	2.68	2.55
August	2.61	2.51
September	2.59	2.45
October	2.54	2.32
November	2.42	2.31
December	2.40	2.28
2024		
January	2.40	2.25
February	2.36	2.23
March	2.49	2.28

Last transacted market price as at 27 March 2024 was (being the last practical date prior to the printing of this Statement) was RM2.28.

SHARE BUY-BACK STATEMENT

11. Proposed Intention of the Directors to deal with the Shares so Purchased

The Proposed Share Buy-Back, if exercised, the Shares shall be dealt with in the following manner:-

- (i) To cancel the Shares so purchased; or
- (ii) To retain the Shares so purchased in treasury for distribution as dividend to shareholders and/or resell on the market of Bursa Securities or subsequently cancelled; or
- (iii) Retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- (iv) In such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

12. Public Shareholding Spread

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 27 March 2024, the public shareholding spread of the Company was approximately 25.47%. In this regard, the Board undertakes to purchase shares only to the extent that the public shareholding spread of THR shall not fall below 25% of the issued shares of the Company at all times pursuant to the Proposed Share Buy-Back, in accordance with Paragraph 12.14 of the Main Market Listing Requirements.

13. Directors' Statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

14. Directors' Recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Twenty-Seventh AGM to give effect to the Proposed Share Buy-Back.

15. Responsibility Statement

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.

16. Documents Available For Inspection

Copies of the following documents will be available for the registered office of the Company during normal office hours from Monday to Friday (except Public Holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

- (i) Constitution of the Company; and
- (ii) The audited consolidated financial statements for the past two (2) financial years ended 31 December 2022 and 2023 respectively.

17. Other Information

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.



GROUP STRUCTURE

TONG

TONG HERR RESOURCES BERHAD

[Company No. 199701016642 (432139-W)]

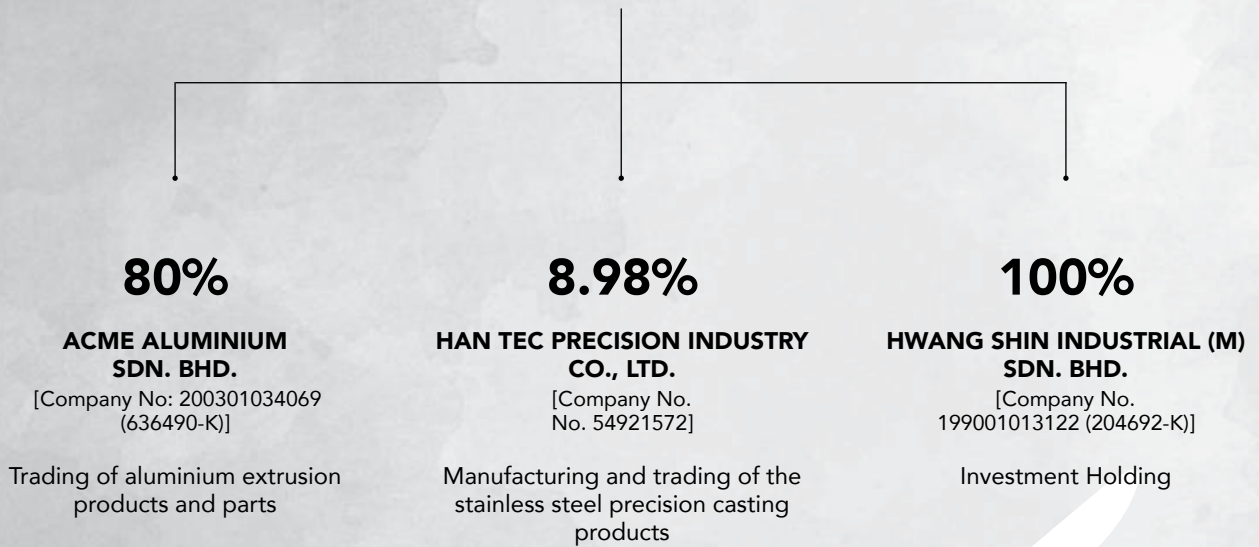
Investment Holding



Manufacture and sale of stainless steel fasteners including nuts, bolts, screws and all other threaded items

Extrusion and fabrication of aluminium products

Manufacture and sale of stainless steel fasteners including bolts, screw and all other threaded items



Trading of aluminium extrusion products and parts

Manufacturing and trading of the stainless steel precision casting products

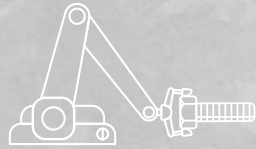
Investment Holding



DIRECTORS' PROFILE

TSAI MING TI

Executive Chairman



Taiwanese

Age 64

Male

Tsai Ming Ti, was appointed to the Board of THR as Executive Director on 20 July 1999. He has 47 years of working experience in the fasteners industry. He completed his education in Junior High School. Since the establishment of THF in 1988, he has been the Managing Director of the Company. Under his leadership with great emphasis placed on teamwork, quality and service orientated, THF has expanded tremendously to what it is today. He was re-designated as Executive Deputy Chairman of THR on 29 August 2012 and re-designated as Executive Chairman on 27 February 2013.

His son, Tsai Yi Ting, and daughter, Tsai Pei Chen, are also members of the Board. He is also the spouse of Tsai Liao Chin Yeh.

TSAI YI TING

Managing Director



Taiwanese

Age 34

Male

Tsai Yi Ting, joined THF in January 2010 as Assistant to Managing Director and was appointed to the Board of THR as an Executive Director on 26 May 2010. On 19 August 2011, he was appointed as Deputy Managing Director of THR and subsequently was appointed as Managing Director of THR on 29 August 2012. He was also appointed as Director of THF on 13 June 2019. He graduated from the Purdue University, United States with a Bachelor of Science. He was appointed as Managing Director in THFT in April 2013 and General Manager in THF in April 2019.

He is the son of Tsai Ming Ti and Tsai Liao Chin Yeh, and brother of Tsai Pei Chen.

TSAI PEI CHEN

Non-Independent, Non-Executive Director



Taiwanese

Age 36

Female

Tsai Pei Chen, joined THF on 18 January 2010 as General Manager. She was appointed as Director of THF on 26 May 2010. On 29 August 2017, she was appointed as Executive Director of THR and re-designated to Non-Independent Non-Executive Director with effect from 12 April 2019. She holds a Bachelor of Science in Management from Case Western Reserve University, Ohio, USA.

She is the daughter of Tsai Ming Ti and Tsai Liao Chin Yeh and sister of Tsai Yi Ting.

TAN BAN LEONG

Executive Director



Malaysian

Age 65

Male

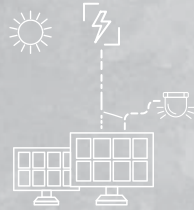
Tan Ban Leong, was appointed to the Board of THR as an Executive Director on 20 July 1999. He is in charge of the Administration and Corporate Matters of the Group. He joined THF in July 1989 and was appointed as Executive Director of THF in 1993. He obtained a Degree in Economics from Tunghai University (Taiwan) in 1986. He is the pioneer staff who was responsible in the setting up of the factory.

He has no family relationship with any other Director or major shareholder of the Group.

DIRECTORS' PROFILE

TSAI, HUNG-CHUAN

Non-Independent, Non-Executive Director



Taiwanese

Age 47

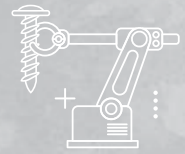
Male

Tsai Hung Chuan, was appointed to the Board of THR as a Non-Independent Non-Executive Director and as a member of the Nominating Committee on 27 February 2013. He joined as General Manager of Tongming Enterprise Co., Ltd. (TME) since 2003 and appointed as Director of TME in 2007. He graduated from University of Washington, United States with a Master in Business Administration.

His sister, Tsai, Chia-Yen is on the Board of THR. Whereas, his sister Tsai, Jane-Rong is also major shareholder of THR by virtue of her shareholding in Allrich.

TSAI, CHIA-YEN

Non-Independent, Non-Executive Director



Taiwanese

Age 43

Female

Tsai Chia Yen, was appointed to the Board of THR as a Non-Independent Non-Executive Director on 29 August 2017. She joined as Vice General Manager of TME on May 2013. She graduated from University of Illinois at Urbana-Champaign, United States with a Ph.D in Mathematics.

She is the sister of Tsai, Hung-Chuan. Her sister, Tsai, Jane-Rong, is also major shareholder of THR by virtue of her shareholding in Allrich.

ROHAIZA BINTI MOHAMED BASIR

Independent, Non-Executive Director



Malaysian

Age 57

Female

Pn. Rohaiza, was appointed to the Board of THR as Independent Non-Executive Director, Audit Committee member, and Chairman of the Nominating Committee on 22 May 2023

Pn. Rohaiza graduated from University of Malaya with a Bachelor of Law (LLB) Honours Degree in 1990. She is an Advocate and Solicitor and a member of the Malaysian Bar. She is currently the Senior Equity Partner of Messrs. Azwar & Associates and she also co-manage administrative functions of the firm.

Pn. Rohaiza is also currently an Independent Non-Executive Director of BahVest Resources Berhad, a Non-Independent Director of Kuchinta Holdings Sdn Bhd, independent Non-Executive Director of Poh Kong Holdings Berhad and a Non-Independent Director of Jernih Rimbun Sdn Bhd, an Investment Holding company.

Pn. Rohaiza is also a chartered member of The Institute of Internal Auditors Malaysia.

She has no family relationship with any other Director or major shareholder of the Group.

DIRECTORS' PROFILE

DATIN NIK HASLINDA BINTI NIK MOHD HASHIM

Independent, Non-Executive Director



Malaysian

Age 55

Female

Datin Nik Haslinda, was appointed to the Board of THR as an Independent Non-Executive Director and Chairman of Audit Committee of THR on 22 May 2023.

Datin Nik Haslinda graduated from the International Islamic University with LLB (Hons) in 1993 and was called to the Malaysian Bar in 1994. She joined the legal firm Messrs. Zain Megat & Murad (ZNM) since September 2007. She is currently the senior Legal Associate in ZNM specializing in conveyancing and corporate matters. She is also responsible for the administration and management of the firm.

She has no family relationship with any other Director or major shareholder of the Group.

SOON GIM WOOL

Independent, Non-Executive Director



Malaysian

Age 57

Male

Soon Gim Wool, was appointed to the Board of THR as Independent Non-Executive Director and also appointed as a member of Audit and Nominating Committee on 22 May 2023. He was the member of ACCA and MIA since 1997. From February 1994 to June 2020, he was attached to KPMG Penang where his last position held was as an audit supervisor.

He is the member of Approved Company Auditor since May 2000. He is the founder of GW Soon & Partners, based in Butterworth and the founder of Soon & Partners, based in Penang Island. Besides, he is active in joining the social participation as a volunteer auditor in local social and charitable organisations and director of school board.

Mr Soon is also currently an Independent Non-Executive Director of See Hup Consolidated Berhad and an Independent Non-Executive Director of Leader Steel Holdings Berhad.

He has no family relationship with any other Director or major shareholder of the Group.

Notes:

1. Save as disclosed, none of the Directors have:

- any conflict of interest with the Company,
- any conviction for offences (other than traffic offences) within the past 5 years, and/or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

2. The Directors' interests in the Company are detailed in the Financial Statements section and the Analysis of Shareholdings section of this Annual Report.

KEY SENIOR MANAGEMENT'S PROFILES

LEE SHIH YAO

Taiwanese

Age 65

Male

Taiwanese, male, aged 65, was appointed as General Manager of THA since THR acquired THA in 2010. Prior to this position, he was factory manager of THA since 20 December 1991. He graduated with a Diploma in Material Engineering from Provincial Taipei Institute of Technology.

SOO SIO BENG

Malaysian

Age 55

Male

Malaysian, male, aged 55, was appointed as General Manager of THFT in May 2005. He joined THF in 1994 as management trainee and was re-designated as assistant production manager of THF in 2000. He obtained a Diploma of Merit from the Institute of Management Specialists England in 1994. He is the pioneer staff who was responsible in the setting up of THFT.

Notes:

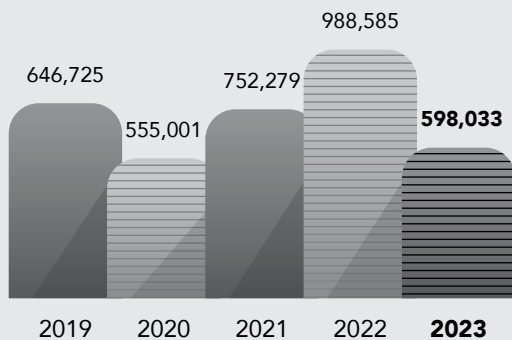
Save as disclosed, none of the Key Senior Management have:

- any directorship in public companies and listed issuers,
- any family relationship with any Directors and/or substantial shareholders of the Company,
- any conflict of interest with the Company,
- any conviction for offences (other than traffic offences) within the past 5 years, and/or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

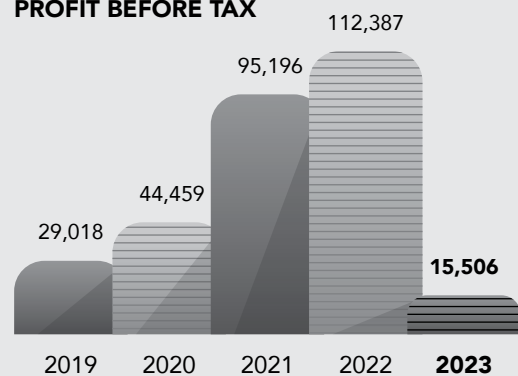
5-YEAR GROUP FINANCIAL HIGHLIGHTS

	2019	2020	2021	2022	2023
FINANCIAL RESULTS (RM'000)					
Revenue	646,725	555,001	752,279	988,585	598,033
Profit Before Tax	29,018	44,459	95,196	112,387	15,506
Profit After Tax	24,048	36,631	73,383	87,407	9,788
Profit/(Loss) attributable to:					
- Owners of the Company	19,766	30,684	64,133	82,537	6,422
- Non-controlling Interest	4,282	5,947	9,250	4,870	3,366
FINANCED BY (RM'000)					
Paid-Up Capital	185,930	185,930	185,930	185,930	185,930
Shareholders' Fund	469,460	480,573	498,273	563,143	554,231
Total Assets Employed	665,876	654,750	825,073	700,921	664,686
Net Assets	515,999	528,159	550,049	617,099	609,003
STATISTICS					
Net Assets Per Share attributable to owners of the Company (RM)	3.06	3.13	3.25	3.67	3.61
Basic Earnings/(Loss) Per Share (Sen)	12.81	19.99	41.78	53.76	4.18
Gross Dividend Paid Per Share (Sen)	12.00	10.00	20.00	15.00	7.50

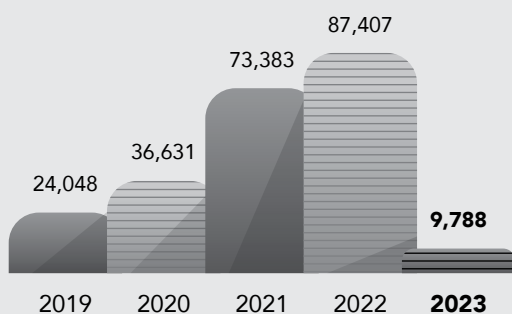
REVENUE



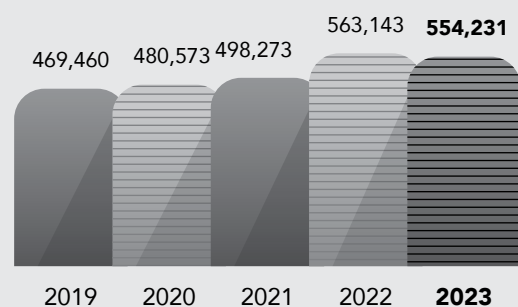
PROFIT BEFORE TAX



PROFIT AFTER TAX



SHAREHOLDERS' FUND



MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile and Background

Tong Herr Resources Berhad and its subsidiaries (the "Group") are involved in the manufacturing and sales of stainless steel fasteners including nuts, bolts, screws and all other threaded items and also manufacture of aluminium extrusion and its related products. The Group's objective is to be one of the market leaders in fasteners and aluminium extrusion production, pursuing a consistent and sustainable organic growth and to produce high-quality products and enthusiasm of service in helping invaluable customers. Thus, in driving sustainability of business and profitability, the Group will continue to pursue its strategy in both fasteners and aluminium business by concentrating in the products quality precision and accuracy through quality upgrades by keeping abreast with all new technologies. While the broad strategic direction remains, the Group is always mindful to adjust the approach of its operations to respond to changes in the market place.

The fasteners segment has two (2) manufacturing operations, which are located in Malaysia and Thailand respectively. Both operations mainly focus on export market. The operations in Malaysia and Thailand export approximately 95% and 90% to the other countries respectively, which includes Germany, Italy, United States, Netherlands, Japan and etc. Meanwhile the aluminum segment only has one (1) manufacturing operation which is located in Malaysia and almost 70% of its turnover is generated from the domestic market.

Overview of Business Environment

Fasteners industry which includes screws, bolts and nuts are used to join two or more objects together. Demand of fasteners markets was subjected to global economy expansion and fixed investment expenditures. The volatility of commodity price, impact from geopolitical tensions and uncertainties of the advanced countries' policy will also impact the demand for fasteners.

The aluminium industry, on the other hand, is facing challenges such as increase in competition from substitutes and fluctuations in prices of raw materials. These factors are limiting the growth of aluminium market. The socio-economic growth such as GDP and growth in end-user industries may also affect the demand for aluminium extrusions. Overall, Malaysia's full-year economic growth is expected to come in at 3.8% in 2023, the department said, below the government's projection of a 4% expansion and a sharp drop from a 22-year high of 8.7% in 2022.

During the first quarter of year 2022, the global economy was in the recovery path of the COVID-19 pandemic and most of the country had moved into "Transition to Endemic" phase, with all the restriction on business operating hours removed. This resulted in the increase in demand of fasteners and aluminium at the first half of the year which also caused the increase in the selling price of both fasteners and aluminium. However, subsequent geopolitical uncertainties and rising of global inflation caused the demand of fasteners and aluminium to gradually slow down at the second half of 2022.

The fastener industry was not spared, as demand decelerated alongside a sluggish broader market. This downturn was further exacerbated by the prior build-up of inventory during the supply chain shortage, thus steering our business towards challenging waters. This is reflected in our 2023 results, which saw softer performance.

To be competitive, the Group continues to emphasise the importance of quality improvement, as well as operational efficiency and cost control, in order to reduce overall costs. We continue to strengthen our downstream operations by providing more high-quality products.

Review of Financial Performance

Profitability

	FYE 31.12.2023 RM'000	FYE 31.12.2022 RM'000	Variance %
Revenue	598,033	988,585	-39.51
Gross profit ("GP")	31,663	160,279	-80.25
Profit before tax ("PBT")	15,506	112,387	-86.20
Profit after tax	9,788	87,407	-88.80
Net profit attributable to owners of the Company	6,422	82,537	-92.22
Earnings per share (sen)	4.18	53.76	-92.22
GP margin	5.30%	16.21%	
PBT margin	2.60%	11.37%	
Net profit margin	1.64%	8.84%	

MANAGEMENT DISCUSSION AND ANALYSIS

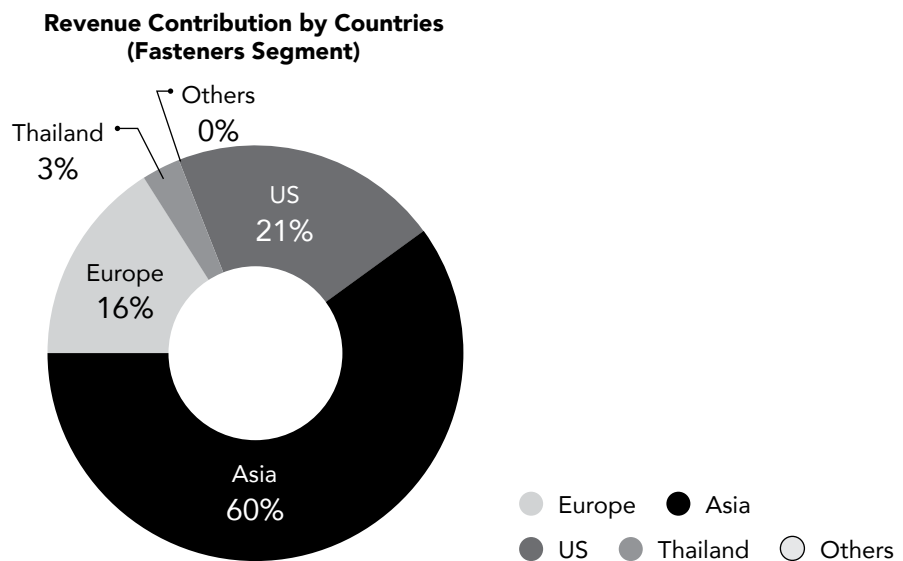
Review of Financial Performance (Cont'd)Profitability (Cont'd)

The revenue for both Fasteners and Aluminium segment can be further analysed as below:

	FY 2023 RM'000	FY 2022 RM'000	Variance %
Fasteners	452,260	755,267	-40.12
Aluminium	145,773	233,318	-37.52
Total Revenue	598,033	988,585	

For the financial year ended 31 December 2023, the Group had recorded revenue of RM598 million, which had decreased by 39.51% as compared to RM989 million in FY 2022. The decrease in revenue was mainly due to overall decrease in average selling prices for both fasteners and aluminium. This also resulted in the gross profit had decreased by RM128.62 million or 80.25% to RM31.66 million. Both fasteners and aluminium segments are continuously affected by the competitive environment which exerted the pressure on the product demand and pricing. Nevertheless, the total revenue of fasteners and aluminium segment recorded an decrease of 40.21% and 37.52% respectively as compared to FY 2022.

During FY 2023, revenue generated from aluminium segment was mainly from local sales, while the revenue contribution from fasteners segment by countries can be analysed as below:

Financial Position

	FYE 31.12.2023 RM'000	FYE 31.12.2022 RM'000	Variance
Total asset	664,686	700,921	-5.17%
Total liabilities	55,683	83,822	-33.57%
Equity attributable to owners of the Company	554,231	563,143	-1.58%
Net assets per share attributable to owners of the Company (sen)	361	367	-1.63%
Current ratio	10.30	7.12	
Debt-to-equity	0.03:1	0.07:1	

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Financial Performance (Cont'd)

Financial Position (Cont'd)

The Group was able to maintain a healthy Financial Position as at 31 December 2023. The equity attributable to owners of the Company has decreased by RM8.91 million to RM554.23 million as compared with previous financial year.

The Group incurred RM12.84 million capital expenditure ("CAPEX") in FY2023 compared with RM5.46 million in FY2022. The CAPEX was used to improve the effectiveness and efficiency of the Group current business line.

Besides, total loans and borrowings as at 31 December 2023 was recorded at RM19.81 million, which has decreased by RM19.94 million as compared to previous financial year.

The net assets per share attributable to owners of the Company stood at 361 sen per share while the cash and cash equivalents of the Group stood at RM127.73 million as at 31 December 2023 (2022: RM118.13 million).

The Group is confident that its existing financial standing is sufficient to finance its capital expenditures and working capital requirements.

Risks Analysis and Strategic Business Direction

The Group manages its capital to maximize shareholders' long-term value to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to achieve this, the Group manages its debt and equity by maintaining an optimal capital structure to reduce the cost of capital and sustain its business development. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Group's strategy is to maintain the ratio at below 1:1. As at 31 December 2023, the Group had maintained a debt-to-equity ratio of 0.03:1.

The Group is currently exposed to several business risks such as volatility of commodity price, market competition, uncertainties of major economies as well as financial risk which include the credit risk, liquidity risk and currency risk. The overall financial risk management objective of the Group is to ensure adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flow; while the overall business risk management objective is to minimize penalties from unexpected incidents by keeping them on track.

Volatility of commodity price

The Group's main raw materials are wire rod (fasteners segment), billet and ingot (aluminium segment). The volatility of prices in these main raw materials will affect the Group's product cost as well as short term profit margin. The Group monitors the raw materials' prices constantly and the selling price will be adjusted accordingly. We also practice to source our raw materials from other alternate suppliers thus we do not rely only on one single supplier.

Market competition

The Group strives to remain competitive by focusing on product developments to ensure good quality products and also on time delivery in order to fulfill customers' satisfaction in dealing with market competition. Nevertheless, the Group will continue to seek for opportunities in order to broaden our customer base and expand the existing markets.

Uncertainties of major economies

The uncertainties of the major economies' development policy which includes the geopolitical crisis and ongoing US China trade war may dampen consumers' confidence and affect the Group's performance since the Group's main revenue is dependent on the export demand. In order to mitigate the risk, the Group will continue to explore for more opportunities in other region as well as broaden the customer base. Besides, the management will also always keep abreast with the new changes and effect, if any.

Credit risk

Credit risk is the risk of a financial loss to the Company. The Group's exposure to credit risk arises mainly from receivables, derivatives, financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Risks Analysis and Strategic Business Direction (Cont'd)

Liquidity risk

Liquidity risk management relates to how the Company manages sufficient cash to meet the obligations as and when they fall due. The management of liquidity is important to ensure a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Company. The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due, without suffering any catastrophic losses. In order to mitigate the risk, the Group always practice prudent liquidity risk management and cash flow planning to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia and Thai Baht whereas the major foreign currencies transacted are US Dollar and Euro. The Group's sales and purchases in foreign currencies provided a natural hedge against fluctuations in foreign currencies. The Group also observes the movements in exchange rates and acts accordingly to ensure that the exposures are kept at an acceptable level. Where necessary, the Group enters into derivative contracts to hedge the exposure.

Dividend Payout

During the year, The Company paid a final single- tier dividend of 20 sen per share amounting to RM30,703,540 in respect of the financial year ended 31 December 2022.

The Directors have also recommended a final single tier dividend of 7.5 sen per share for shareholders' approval at the Company's Twenty-Seventh Annual General Meeting on 29 May 2024.

Outlook

Looking at the current global operating environment, the Group is respectful of the challenges which 2024 may bring, especially amidst the uncertainties of high interest rates and lower growth expectations coupled with the escalation of geopolitical conflicts and their impact on global supply chains.

With this in mind, we are preparing for times ahead when selling prices may soften based on expectations of reduced demand. In addition to increasing labour costs, cost of energy are expected to remain at high levels, and thereby exert upward pressure on our cost base.

According to the World Bank's latest Global Economic Outlook, global growth is projected to slow for the third year in a row - from 2.6% last year to 2.4% in 2024, almost three-quarters of a percentage point below the average of the 2010s. Developing economies are projected to grow just 3.9%, more than one percentage point below the average of the previous decade.

Overall, we maintain a cautious outlook for the next financial year considering the uncertainties in the global economy and geopolitical environment. We will continue to focus on the core business and cost efficiency in order to maintain our competitiveness. The Board expects the prospects of the Group's financial performance for the financial year ending 31 December 2024 to be cautiously conservative.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of THR ("the Board") recognises the importance of strong corporate governance and has in place sound practices with integrity, transparency and professionalism throughout the Group, in order to safeguard and enhance the long-term value of the shareholders and protect the interest of all relevant stakeholders.

The Board will constantly review its corporate governance practices in response to develop best practices and the changing needs of the Group. The Board hereby provides the following Corporate Governance Overview Statement, which outlines the practices adopted by the Company in compliance with the Principles and Recommendations set in the ("MCCG") as well as the Main Market Listing Requirement of Bursa Securities ("MMLR").

The detailed application for each practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's website: www.tong.com.my as well as via the Company's announcement made to Bursa Securities. The CG Report is prepared in compliance the MMLR.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Roles and Responsibilities of the Board

In order to deliver sustainable value to stakeholders, the Board provides entrepreneurial leadership and sets vision and objectives as well as strategic direction in order to ensure long term success of the Group. The Board also assesses the performance, review the systems of risk management and internal control of the Group, and ensure effective strategies and management are in place. The Board responsibilities are defined in the Board Charter and are available in the Company's website at www.tong.com.my with delegated specific responsibilities to the Audit Committee and Nominating Committee.

The key responsibilities of the Board amongst others include the following:-

- a) Formulate and review corporate strategic plans and policies for the Group to guide and set the pace for its current operations and future improvement
- b) Identifying principal risks and establish the appropriate systems of risk management
- c) Ensure that succession plan for senior management is in place
- d) Oversee the conduct of Company's business and delegating authority to management, monitor and evaluate the implementation of policies, strategies and business plans in order to ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations constantly bearing sustainability in mind
- e) Maintain a good system of internal control and management information systems
- f) Maintaining an effective investors' and shareholders' communication policy for the Company
- g) Provide a balanced, clear and comprehensible assessment of the financial performance and prospects of the Company's position
- h) Review Directors' remuneration packages.

The Board together with the management takes responsibility for the governance of sustainability in the Group including setting the sustainability strategies, priorities and targets. Further details on the Company's multi-pronged approach to address sustainability risks and opportunities can be found in the Sustainability Statement.

The Board Chairman

The Group Executive Chairman, Mr. Tsai Ming Ti ("Mr. Tsai") is responsible for providing leadership for the Board and ensures that the Board can perform its responsibilities effectively. Mr. Tsai ensures that all Directors receive accurate, timely and clear information on financial and non-financial matters to enable them to participate actively in Board discussions. The Board is mindful that Chairman position held by an executive member of the Board is not in compliance with the best practice but taking into consideration the fact that Mr. Tsai is one of the major shareholders, there is the advantage of shareholder leadership and a natural alignment of interests. In respect of potential conflict of interests, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the MMLR. In addition, the presence of Independent Directors with distinguished records and credentials ensures that there is independence of judgement.

The Chairman of the Board is not a member of both the Audit Committee and Nominating Committee thus ensuring that there is check and balance as well as objective review by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

The Managing Director

There is a clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority to the Board's dynamics, such that no one individual dominates the decision-making process and powers.

The Managing Director is responsible for the implementation of Board decisions, leads the Senior Management of the Company in the day-to-day management and running of the Group as well as the implementation of the Board's decisions and policies.

Roles and Responsibilities of the Company Secretary

The Board is supported by professionally qualified and competent Company Secretaries who are experienced and competent to provide sound governance advice, ensure adherence to applicable policy and procedures, laws and regulatory requirements, and advocate adoption of corporate governance best practices. The Company has outsourced the company secretary services to TMF Administrative Services Malaysia Sdn. Bhd., which has specialist knowledge and professional ability to function more efficiently to the Board. Both the Company Secretaries are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 and both of them are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The key responsibilities of the Company Secretary are outlined as below:

- a) Monitor corporate governance developments and assist the Board in applying best corporate governance practices.
- b) Ensure adherence to the Board's and Board committees' policies and procedures.
- c) Provide updates and assist the Board with interpreting regulatory requirements related to company and securities regulations as well as listing requirements.
- d) Circulates notice of the meeting(s) and attend meetings of the Board, Board Committees and shareholders to record the proceedings of the meetings.
- e) Ensure the deliberations at Board and Board Committee meetings are well documented and maintained at the registered office of the Company.
- f) Manage processes pertaining to the annual general meeting(s).

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and development by regularly attending continuous development programmes and seminars conducted by various professional bodies and authorities like MAICSA, Bursa Securities and Companies Commission of Malaysia.

Access to Information and Advice

The agenda and board papers for Board and Board Committees meeting are circulated to the Directors at least seven (7) days prior to each meeting to enable them to participate actively during the meetings. The Directors meet, review related matters and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing the information to Bursa Securities.

To ensure the effectiveness of the Board, the Directors have the right to obtain full and unrestricted access to any information pertaining to the Group and also to the advice and dedicated support services of the Company Secretaries. The Board also has the right to seek for independent professional's advice at the cost of the Group on matters which are deemed necessary, that will be put forward to the Board for decision making and to enable them to discharge their responsibilities effectively.

Board Charter

The Board Charter sets out the roles, responsibilities, processes and functions of the Board is published on the Company's corporate website at www.tong.com.my, and it would be subject to periodic review and update to ensure compliance with regulatory requirements. The Board has formalized and adopted the Board Charter with clear functions, which forms an integral part to guide the conduct of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. BOARD RESPONSIBILITIES (Cont'd)

Board Charter (Cont'd)

The Board Charter was designed to achieve the following objectives:-

- To enable the Board to provide strategic guidance and effective oversight of Management;
- To clearly define the roles and responsibilities of members of the Board and Management to facilitate accountability to the Company and its shareholders; and
- To ensure balance of authority so that no single individual or group of Directors has unfettered powers.

Directors' Code of Conduct and Ethics (Code)

The Board has adopted this Code to carry out their oversight responsibility in the best interest of the Company within the scope of their authority and fiduciary duties. This Code is to provide the fundamental guiding principles and standards applicable to the Directors where they are expected to adhere to, comply with and uphold the provisions of the Code.

The purpose of this Code is to enhance the standard of corporate governance and corporate behaviour with the aim to achieve the following objectives:-

- Raise the standards of honesty, integrity, ethical and law abiding behaviour expected of Directors;
- Encourage the observance of those standards to protect and promote the interests of shareholders and all stakeholders;
- Provide guidance to the Board to maintain the confidence of shareholders and other stakeholders in the Company's integrity; and
- Promote good business conduct and maintain a healthy corporate culture that engenders transparency and fairness.

Whistleblowing Policy

The Board is satisfied that an adequate framework on whistleblowing is in place during the financial year ended 31 December 2023. The Whistleblowing Policy is designed to encourage employees and third parties to raise genuine concerns and to disclose information which the employee has, or is preparing to engage in anything improper.

These concerns could include indications of:

- Financial malfeasance, wrongdoing or fraud;
- Failure to comply with legal obligations;
- Expansion of an individual's health & safety of the environment;
- Criminal activity;
- Improper conduct or unethical behaviour; and/or
- Concealment of any of the above or a combination.

If any of the above conducts are suspected, the reporting party may raise their concerns via email to whistleblower@tong.com.my which will be channeled to the Chairman of the Audit Committee. The protection of the whistle-blower's identity is guaranteed under this Policy, unless with the whistle-blower's consent or where required by law.

There were no incidents reported via this channel for the financial year ended 31 December 2023.

Anti-Bribery and Anti-Corruption Policy

With the introduction of the corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment 2018), effective from 1 June 2020, the Board has implemented and conducted annual review on the Group's Anti-Bribery and Anti-Corruption Policy in accordance with the compliance objective. The Company's Anti-Bribery and Anti-Corruption Policy is accessible on the Company's website at www.tong.com.my.

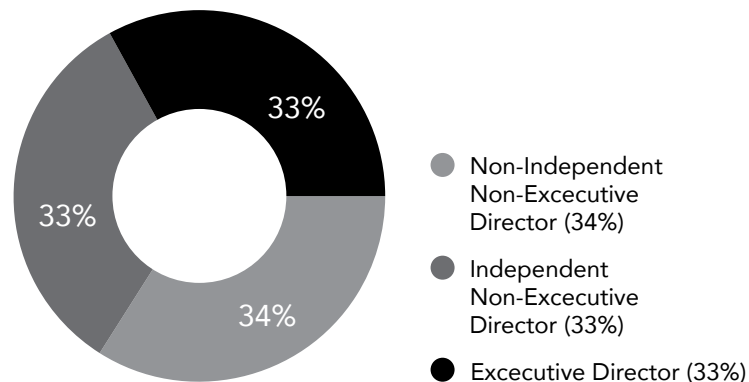
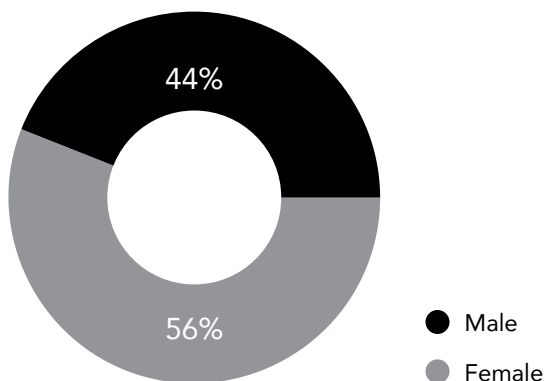
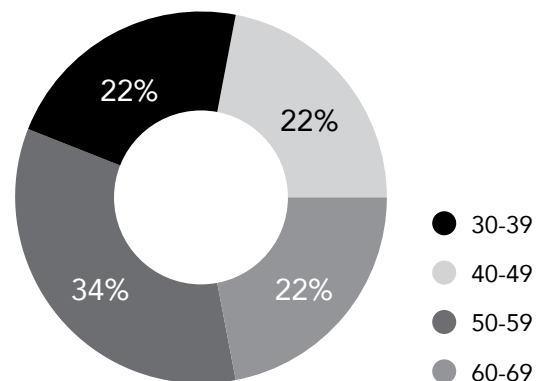
CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)**II. BOARD COMPOSITION****Composition of the Board**

The Board of Directors is from various backgrounds of professionals, which allow a mix of qualifications, skills, integrity, competence, experience and gender. The current Board consists of nine (9) members, which includes three (3) Executive Directors, three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. The profile of each Director is set out in the Annual Report from page 16 to 18.

The number of Independent Non-Executive Directors in the Board complies with the MMLR which stipulates that at least two (2) Directors or one third (1/3) of the Board, whichever is higher, to be Independent Directors. The Independent Non-Executive Directors bring independent view, advice and fairness to the decision making of the Board and which could help to ensure that interest of shareholders and stakeholders of the Company are safeguarded. The Independent Non-Executive Directors are independent of management and also free from any business dealing or other relationship that could materially interfere with the exercise of their independent judgement.

The Nominating Committee and the Board does not set any gender diversity policy in the composition of the Board. However, the Board will remain mindful of the MCCG's Principle on the gender diversity policy for boardroom. In relation to the Group's diversity, there are 2 female Directors who are Non-Independent Non-Executive Directors. The Board will continuously seek for suitable candidate(s) to sit in the Board when such need arises.

Board Composition**Gender Composition****Age Composition**

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

Tenure Limit of Independent Directors

With reference to Bursa's latest amendment of Main Market Listing Requirements (LR) on the 12-year tenure limit for Independent Director (ID), all long-serving ID of more than 12 years must resign or be re-designated as a Non-Independent Director by 1 June 2023. The Nominating Committee have identified and appointed new independence director namely Puan Rohaiza Binti Mohamed Basir, Mr Soon Gim Wooi and Datin Nik Haslinda Binti Nik Mohd Hashim at 22 May 2023.

Fit and Proper Policy

The Board has adopted the Directors' Fit and Proper Policy on 27 May 2022 for the appointment and re-election of Directors of the Company. This policy will enhance the governance of the Group in relation to the Board's quality and integrity, as well as ensure that each of its directors has the character, experience, integrity, competence, time and commitment to effectively discharge his/her role as a Director. The Nominating Committee shall conduct the fit and proper assessment prior to the appointment of any candidates as a Director or making a recommendation for the re-election of an existing Director of the Group.

Nominating Committee

The Board has established the Nominating Committee on 27 February 2013 which comprised entirely of Non-Executive Directors. The detailed Terms of Reference ("TOR") can be found in the Group website. The present members and record of attendance are as follows:

		No. of Meetings Attended
Chairman:	Rohaiza Binti Mohamed Basir <i>Independent Non-Executive Director</i>	1/1
Member:	Tsai, Hung-Chuan <i>Non-Independent Non-Executive Director</i>	1/1
	Soon Gim Wooi <i>Independent Non-Executive Director</i>	1/1

The Nominating Committee's function is to assist the Board in assessing existing Directors and identifying, nominating, and recruiting new Directors in compliance with the Fit and Proper Policy. In making these assessments and recommendation, the Nominating Committee will consider the required mix of skills, character, competence, caliber, knowledge, experience, professionalism, integrity, time and other qualities of the individual to fulfill the duties of a director appropriately. In the case of candidate for the position of Independent Non-Executive Director, the Nominating Committee will also evaluate the candidate's ability to discharge such responsibilities/functions as expected from an Independent Non-Executive Director. The final decision on the appointment of any directors of the Company shall be determined by the Board. Meanwhile, the Company Secretaries will ensure that all appointments comply fully with relevant legal and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)**II. BOARD COMPOSITION** (Cont'd)**Nominating Committee** (Cont'd)

The Nominating Committee is also responsible for the evaluation of the effectiveness of the Board as a whole by assessing the contribution of each individual director as well as ensuring that its assessments and evaluations are properly documented. The Board Effectiveness Evaluations exercise will be carried out annually by focusing on the following key areas:

Matters Considered	Outcome
Performance evaluation on the Board as a whole, the Committees of the Board, each of the individual Board Member and the independence of the Independent Directors	<p>The Nominating Committee carried out Board and committee assessments by individual directors, self and peer assessments together with an assessment of directors for the purposes of evaluating the performance of the Board as a whole, the Committees of the Board, the individual Board member, and the independence of the Independent Directors especially those Independent Directors who have served as Independent Directors for more than twelve years.</p> <p>The key evaluation criteria have been carefully reviewed during the assessments, which include:</p> <ul style="list-style-type: none"> • Performance of the Board and Board Committees - composition, structure, processes and principal responsibilities • Performance of each individual Board member, and independence of Independent Directors- competence, integrity, skills, experience, commitment, contribution, conflict of interest and independence as guided by the MMLR. <p>No major concerns were identified in the evaluation results and the Nominating Committee was satisfied with the overall performance of the parties under review.</p>
Re-election, re-appointment and retention of Board members	<p>Pursuant to the Company's Constitution, all Directors, including the Managing Director, shall retire from office at least once in every three (3) years but shall be eligible for re-election.</p> <p>As such, those Directors retiring by rotation and who are eligible for re-election undergo a detailed assessment on the quality and contribution of such Directors and the Nominating Committee gave its full support to the retiring Directors to be re-elected at the Company's AGM.</p>

The Nominating Committee will also assess as to whether the candidate proposed for new directorship would be able to spend sufficient time to carry out his duties adequately prior to their recommendation to the Board for appointment as a board member of the Company. Orientation programme will also be provided for new Directors, including, where appropriate, visits to the Group's premises and meetings with senior management to facilitate their understanding of the Group's business and operations.

Overall Board Effectiveness

All the Directors were given self-assessment checklist on annual basis, and to confirm as to whether he has any family relationship with any director and/or major shareholder of the Company. This is one of the criteria to enable the Board and the Nominating Committee to assess the Directors' Independence as and when any new interest or relationship develops. The concept of independence adopted by the Board is in tandem with the definition of "Independent Director" in the Paragraph 1.01 and Practice Note 13 of MMLR, whereby the Independent Director must be independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.

Time commitment

The Board is satisfied with the level of commitment and dedication given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. All the Directors have allocated sufficient time and commitment in discharging their responsibility. During the current financial year, the Directors' meeting attendance record has scored full attendance. In the event where Directors who were unable to attend a meeting were also encouraged giving the Chairman their views and comments on matters to be discussed in advance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

Time commitment (Cont'd)

During the financial year ended 31 December 2023, the Company held four (4) scheduled meetings. The meetings concentrated mainly on major investments and strategy decisions, operational & financial performances, business plan and direction of the Group. All issues discussed and the conclusions in discharging its duties and responsibilities have been properly recorded by the Company Secretary.

The attendance record of each Director during the year 2023 was as follows:

Name of Director	No. of Meetings Attended
Executive Directors	
Tsai Ming Ti	4/4
Tan Ban Leong	4/4
Tsai Yi Ting	4/4
Non-Independent Non-Executive Director	
Tsai, Hung-Chuan	4/4
Tsai, Chia-Yen	4/4
Tsai Pei Chen	4/4
Independent Non-Executive Directors	
Datuk Megat Abdul Munir Bin Megat Abdullah Rafaie*	2/4
Fazrin Azwar Bin Dato' Hj. Md. Nor*	2/4
Teh Eng Hin*	2/4
Datin Nik Haslinda Binti Nik Mohd Hashim#	2/4
Rohaiza Binti Mohamed Basir#	2/4
Soon Gim Wooi#	2/4

* Resigned w.e.f. 22 May 2023

Appointed w.e.f. 22 May 2023

In line with the MMLR, none of the existing Directors hold more than five (5) directorships in public listed companies, thus enabling them to carry out their duties officially for the tenure of their appointments with the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)**II. BOARD COMPOSITION** (Cont'd)**Continuing Education Program**

All the Directors have attended the Mandatory Accreditation Program in compliance with the MMLR. Board members also keep abreast with general economic, industry and technical developments by attending relevant seminar and training programs annually in order to equip themselves to effectively discharge their duties as Directors.

Details of seminar/training attended by the Directors during the financial year were as follows:

Name of Directors	Date	Seminar / Training Course Title
1.Tsai Ming Ti	6-7 Dec 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
2.Tsai Yi Ting	21 March 2023	Basic Technical Analysis Beginners in Futures Market Confirmation
	26 October 2023	Budget 2024- Unleash the T I G E R
	6-7 Dec 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
3.Tsai Pei Chen	6-7 Dec 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
4.Tsai, Hung-Chuan	22 August 2023	Corporate Management skill of CSR and ESG
	8 November 2023	Corporate sustainability and performance reward practices
	11-12 Dec 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
5.Tsai, Chia-Yen	21-30 July 2023	Strategic Management in Sustainability
	22 August 2023	Corporate Management skill of CSR and ESG
	8 November 2023	Corporate sustainability and performance reward practices
6.Tan Ban Leong	6-7 Dec 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
	26 October 2023	Budget 2024- Unleash the T I G E R
7.Fazrin Azwar Bin Dato' Hj. Md. Nor	5th January 2023	Taxation from foreign source income
8.Teh Eng Hin	15th May 2023	MPERS : Going Concern, implement and other issues
9.Rohaiza Binti Mohamed Basir	14 September 2023	Audit Committee Seminar by MIA
	29-30 November 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
	11 December 2023	Mandatory Accreditation Programme Part I
10.Datin Nik Haslinda Binti Nik Mohd Hashim	28-30 August 2023	Mandatory Accreditation Programme Part I
11. Soon Gim Wooi	4 October 2023	MIA Webinar - MPERS for Impairmet of Assets
	6 October 2023	MIA Webinar - Audting Related Parties Transactions
	20 October 2023	MIA Webinar - ISA 520 : Auditor's use of Analytical Procedures
	8 November 2023	MIA Seminar - 2024 Budget
	13-14 December 2023	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION

Remuneration Committee

The MCGG recommends that it is a good practice for the Board to establish a Remuneration Committee, consisting wholly or mainly of Non-Executive Directors, to recommend to the Board the remuneration of the Executive Directors in all its forms, and the Executive Directors should play no part in deciding their own remuneration. The determination of remuneration packages of Non-Executive Directors should be a matter for the Board as a whole.

However, the Company has not set up a Remuneration Committee and in this regard, the full Board of the Company will decide on the Executive and Independent Non-Executive Directors' remuneration packages but the interested Director does not participate in decisions on his/her own remuneration packages. In doing so, the component of the remuneration packages are linked to performance, commitment and responsibilities, and are periodically reviewed to reflect and ensure the level of remuneration is sufficient to attract and retain calibre Directors to run the Company successfully.

Details of Directors' Remuneration

The aggregate remuneration paid to the Directors for the financial year ended 31 December 2023 were categorised into appropriate components as below:

Category	Fees	Salaries and other emoluments	Benefits in kind	Total
Executive Directors	RM'000	RM'000	RM'000	RM'000
Tsai Ming Ti	80	492	28	600
Tsai Yi Ting	30	499	15	544
Tan Ban Leong	30	177	10	217
	140	1,168	53	1,361
Non-Executive Directors				
Tsai Pei Chen	30	-	-	30
Tsai, Hung-Chuan	30	-	-	30
Tsai, Chia-Yen	30	-	-	30
Datuk Megat Abdul Munir Bin Megat Abdullah Rafaie	30	1	-	31
Fazrin Azwar Bin Dato' Hj. Md. Nor	30	1	-	31
Teh Eng Hin	30	-	-	30
Rohaiza Binti Mohamed Basir	-	1	-	1
Datin Nik Haslinda Binti Nik Mohd Hashim	-	1	-	1
Soon Gim Wooi	-	1	-	1
	180	4	-	185

The number of Directors whose total remuneration falls into the following bands are as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	-	9
RM200,001 to RM250,000	1	-
RM500,001 to RM600,000	2	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee comprises three (3) members, who are Independent Non-Executive Directors. One of the members of the Audit Committee is a Chartered Accountant with the Malaysian Institute of Accountants, having qualified under the Association of Chartered Certified Accountants (ACCA) United Kingdom and company auditors license from Ministry of Finance of Malaysia.

The key role of the Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations through the Board delegation via approved Terms of Reference ("TOR"). The detailed TOR can be found in the Group website. Further information of the Audit Committee is outlined under the Audit Committee Report in this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges the importance and their responsibility of maintaining a sound system of internal control covering not only financial control but also operational and compliance control. The Board takes necessary steps to identify, assess and monitor principal business risk in order for the Group to achieve its corporate objectives within an acceptable risk profile and to safeguard the shareholders' investments and the Group's assets.

The Statement on Risk Management and Internal Control Statement from page 71 to 72 in this Annual Report provide an overview on the risk management and internal controls within the Group.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognizes the importance of ongoing engagement and communication with stakeholders, which they believe would build the trust and understanding between the Company and its stakeholders and also provide stakeholders a better appreciation of the Company's objectives and the quality of the management. This in turn will assist stakeholders in evaluating the Company and facilitate shareholders to determine how their votes should be exercised.

The Board provides stakeholders with quarterly results and Audited Financial Statements as well as corporate announcements on significant developments affecting the Company through announcement in Bursa Securities in accordance with the MMLR.

The investor relation details published in the Company's website would enable the stakeholders to seek clarification or raise queries via email or phone.

II. CONDUCT OF GENERAL MEETING

The AGM is held once in every calendar year. Notice of the AGM and Annual Report are sent out to shareholders at least 28 days before the date of the meeting. Extraordinary General Meeting is held as and when required. All the resolutions set out in the notice of the forthcoming AGM shall be voted by poll.

At the meeting, the Chairman and the Board members are in attendance to provide explanations to all shareholders' enquiries on matters relating to the Group's business activities. There is an open question and answer session on the resolutions being proposed or about the Group's operations in general. The Chairman will undertake to furnish any shareholder with a written answer after the AGM in the event if the Board is unable to provide an immediate answer to any significant issues or questions raised. The outcome of the AGM will be released to Bursa Securities on the same day.

Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution to facilitate full understanding and evaluation of relevant issues.

COMPLIANCE STATEMENT

Please refer to Corporate Governance Report for further disclosure.

This statement was made in accordance with the resolution of the Board of Directors dated 5 April 2024.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors ("the Board") are required by the Companies Act 2016 to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flows and results, of the Group and of the Company as at the end of each financial year end in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the MMLR.

In preparing the annual financial statements for the financial year ended 31 December 2023, the Board has:

- adopted suitable accounting standards and applied the appropriate accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared financial statements on a going concern basis.

The Board is also responsible for ensuring that the Group and the Company maintain a proper accounting and the relevant records are kept to sufficiently explain the transactions and the financial position and also ensure that the financial statements comply with the regulatory bodies. The Board also had taken steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a Board of Directors' Resolution dated 5 April 2024



SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

(GRI 2-3; GRI 2-4)

Tong Herr Resources Berhad (referred to as “Tong Herr” or the “Company”) and its affiliated companies (referred to as the “Group”) are unwavering in their commitment to environmental sustainability, social responsibility, and corporate governance, encompassing comprehensive efforts in these pivotal pillars. The Group recognizes the intricate interplay among these pillars and their profound influence on community well-being, natural resource conservation, and overall business resilience. Consequently, the Group actively engages in a spectrum of sustainability initiatives, establishing goals, targets, and proactively identifying associated risks and opportunities.

The Group places a premium on transparency, openly communicating its sustainability programs, objectives, and achievements. This sustainability report serves as a comprehensive resource, providing insights into the Group’s sustainability strategy, along with detailed plans, guidelines, and operational procedures crafted to address significant sustainability challenges and seize opportunities. Through this report, Tong Herr aspires to inspire and involve a broad spectrum of stakeholders, including employees, investors, suppliers, customers, and partners, in its dedicated journey towards sustainability. It stands as a guiding document, a testament to the company’s ongoing commitment to generating sustainable value and fostering a positive impact on both society and the environment.

REPORTING PERIOD

This report provides a detailed overview of our sustainability initiatives throughout the period from 1 January 2023 to 31 December 2023. To delve deeper into critical aspects such as corporate governance, internal operations, and business activities, we encourage you to explore the corresponding sections in Tong Herr’s Annual Report 2023 and other relevant sources for a more in-depth understanding.

REPORTING SCOPE & BOUNDARIES

(GRI 2-2)

This report encapsulates the sustainability performance and progress of our core business operations in both Malaysia, including Tong Heer Fasteners Co. Sdn. Bhd and Tong Heer Aluminium Industries Sdn. Bhd, ACME Aluminium Sdn. Bhd, and Thailand (Tong Heer Fasteners (Thailand) Co. Ltd.). The disclosures presented herein cover the reporting period from 1 January 2023 to 31 December 2023 (“FY 2023”). Where relevant, we have included three years of comparative data to illustrate yearly trends. Throughout the report, disclosures related to our subsidiaries may be collectively referred to as “the Group”, unless specifically stated.

This year, we have broadened the reporting scope of this Report to encompass our activities in Thailand. This marks a notable expansion from our prior statements, which solely focused on our operations in Malaysia. Our commitment is to consistently include all significant geographical areas where we operate in future reports, ensuring a comprehensive overview of our sustainability efforts across diverse locations.

REPORTING FRAMEWORKS AND STANDARDS

The Sustainability Report underscores our unwavering dedication to stakeholders and highlights the significant progress achieved in advancing sustainable development throughout the fiscal year ending in 2023. Formulated in compliance with Bursa Malaysia’s Listing Requirements, this report strictly adheres to the Sustainability Reporting Guide (3rd Edition) issued by Bursa Malaysia. It also aligns with the enhanced Main Market Listing Requirements of Bursa Malaysia regarding sustainability reporting, follows the reporting guidelines established by the Global Reporting Initiative (GRI), and consistently upholds the principles of corporate governance outlined in the Malaysian Code on Corporate Governance (MCCG).

Additionally, Tong Herr has initiated the adoption of Task Force on Climate-related Financial Disclosures (TCFD) recommendations to better position our business to respond to and mitigate adverse climate effects. Moving forward, we aim to further enhance our strategies for TCFD compliance.

Emphasizing the importance of transparent sustainability reporting, our report showcases our alignment with the selected United Nations Sustainable Development Goals (“UN SDGs”). It provides comprehensive insights into our responsibilities and demonstrates the substantial contributions we’ve made to shape a sustainable future.

SUSTAINABILITY STATEMENT

REPORTING FRAMEWORKS AND STANDARDS (Cont'd)

Our commitment to transparency and disclosure aims to build trust and fortify relationships with stakeholders, offering them detailed information on the environmental, social, and governance (“ESG”) aspects of our Group. Through this report, we intend to communicate our dedication to sustainability with valued stakeholders, including employees, investors, customers, business partners, suppliers, and the communities in which we operate. Moving forward, the Group aims to enhance its strategies for sustainability by leveraging innovative technologies, fostering collaboration across sectors, and continuously seeking opportunities for improvement in environmental stewardship, social responsibility, and corporate governance practices.

Compliant with rigorous governance frameworks and reporting procedures, this report ensures accurate representation of all information and data, encompassing both financial and non-financial aspects.

ASSURANCE STATEMENT

While external assurance has not been obtained for this Report, we are considering seeking it as our sustainability reporting evolves. The data presented in this statement have undergone internal review and approval by the Group’s Management. As part of our commitment to enhancing data accuracy and integrity in future reports, we plan to explore independent verification to ensure the reliability of our sustainable disclosures.

FEEDBACK

(GRI 2-3)

The digital version of this report is accessible on our website at <http://www.tong.com.my/>. We extend an invitation to our readers to contribute their perspectives on our sustainability approach and offer suggestions for the enhancement of our sustainability efforts and programs. Your insights hold immense value as we persistently strive to enhance our sustainability practices and initiatives.

ABOUT THE COMPANY

Benefiting from the extensive expertise and resources of the Group, Tong Herr not only integrates cutting-edge manufacturing technologies and inspection equipment but also incorporates best-in-class management practices and customer-centric values into our operations. Leveraging advanced imported equipment and automated manufacturing systems, coupled with meticulously designed processes, and streamlined production lines, we ensure optimal competitiveness and cost efficiency in our operations. Our products find widespread application across diverse industries, including solar energy, petrochemicals, machinery assembly, food processing, telecommunications, and construction, among others. This extensive industry presence underscores our commitment to delivering quality solutions tailored to meet the diverse needs of our customers.

Through transparent reporting and ethical practices, Tong Herr exemplifies its unwavering dedication to sustainable growth and accountability, setting an inspirational benchmark for the industry and beyond.

OUR CORE BUSINESS

Tong Heer, established by the Tong Group in 1989 and later expanded to Thailand in 2005, specializes in crafting stainless steel fasteners. These essential components play a vital role in diverse industries, such as solar energy, petrochemicals, machine assembly, food machinery, telecommunication, and construction. Our commitment extends beyond providing high-quality fasteners; we aim to integrate sustainable practices into every aspect of our operations. By focusing on responsible manufacturing and considering the environmental impact, we strive to contribute positively to the industries we serve and promote a more sustainable future.



TONG HERR RESOURCES BERHAD

SUSTAINABILITY STATEMENT

WHERE COMPANY OPERATES

Tong Herr is a regional entity with operations spanning Malaysia and Thailand. The fasteners division is active in both Malaysia and Thailand, while the aluminium division specifically operates within Malaysia.



GROUP STRUCTURE AND OPERATING ENTITIES

Tong Herr Resources Berhad

Fasteners Division	Aluminium Division
100%	51%
Tong Heer Fasteners Co. Sdn. Bhd.	Tong Heer Aluminium Industries Sdn. Bhd.
99.99%	
Tong Heer Fasteners (Thailand) Co. Ltd.	

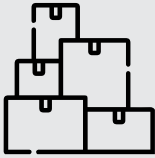
For the purpose of this Sustainability Report, the presented data pertains specifically to the Fasteners and Aluminium division with direct shareholding interest by Tong Herr Resources Berhad. Tong Heer Aluminium Industries Sdn. Bhd. holds shareholding interests in two (2) other entities. Notably, data from one of these entities, ACME Aluminium Sdn. Bhd., has been included in the report to reflect certain contributions to carbon emissions.

It is important to acknowledge that Tong Herr Group recognizes the significance of comprehensive sustainability reporting. In the future, we commit to working closely with all entities within our corporate structure to ensure the provision of accurate and relevant data for sustainability reporting purposes.

SUSTAINABILITY ACHIEVEMENTS FOR FY 2023



Formalized a Sustainability Committee.



Conducted materiality surveys with stakeholders.



Reported on our Scope 1, Scope 2 and partial Scope 3 emissions.



Adopted 07 UN SDGs

SUSTAINABILITY STATEMENT

FRAMEWORK OF SUSTAINABILITY




Tong Herr has meticulously refined its sustainability framework to seamlessly align with our overarching business strategy, guided by the Group’s vision and mission. Within this robust framework, our primary goal is to cater to the needs of our stakeholders, minimize our environmental footprint, and actively contribute to the well-being of the local communities in which we are present. Our key focus areas encompass delivering excellence, responsible supply chain, empowering our people and the community, and caring for the environment.

In pursuit of our objectives in each designated area, we proactively address concerns related to our material matters and establish targeted goals to elevate our sustainability performance. To ensure transparency and accountability, we meticulously track our progress through a performance scorecard intricately linked to these predefined targets. This diligent approach not only allows us to monitor our advancements but also fosters a culture of continuous improvement within the organization.

<p>OUR VISION</p> <p>To be a prominent name in the fasteners and aluminium sector, celebrated for our commitment to balance growth with responsibility. We envision a future where we excel in our industry while being mindful of our environmental and social impact.</p>	<p>OUR MISSION</p> <ul style="list-style-type: none"> • We strive for steady, sustainable growth in the fasteners and aluminium sector, emphasizing responsible practices. • Our mission is to be responsible stewards of the environment and support the well-being of our community. • We aim to practice corporate social responsibility that makes a meaningful local impact. 	<p>OUR CORPORATE CULTURE</p> <ul style="list-style-type: none"> • Integrity • Dedication • Creativity
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OUR CONTRIBUTION TO THE UN SDGS

Tong Herr is actively engaged in the assessment and evaluation of our performance with respect to the United Nations Sustainable Development Goals (“SDGs”). Through a meticulous tracking of key indicators, we align our initiatives with the SDGs, striving to make a meaningful impact on social, economic, and environmental challenges. Our commitment extends to continuous monitoring and improvement, as we actively contribute to the realization of the global sustainability agenda.

SDGs	Tong Herr Achievements
	<ul style="list-style-type: none"> • Implemented health and safety measures to ensure the well-being of employees. • Conducted regular health and safety training programs for employees.
	<ul style="list-style-type: none"> • Implemented water conservation measures in manufacturing processes. • Ensured proper wastewater treatment before discharge, aligning with clean water goals. • Promoted water-efficient practices across operations to reduce overall water usage
	<ul style="list-style-type: none"> • Implemented solar panels to promote clean and affordable energy. • Reduced reliance on conventional energy sources, contributing to the goal of ensuring access to affordable, reliable, sustainable, and modern energy for all. • Mitigated environmental impact by harnessing renewable energy, addressing climate change concerns related to energy consumption.

SUSTAINABILITY STATEMENT

OUR CONTRIBUTION TO THE UN SDGS (Cont'd)

SDGs	Tong Herr Achievements
	<ul style="list-style-type: none"> • Zero fatalities and occupational injuries occurred in FY2023. • Prioritized local job creation, contributing to economic development and fostering employment opportunities. • Successfully enhancing the skills and capabilities of its workforce through comprehensive training programs. • Implemented environmentally sustainable practices in its operations, such as reducing energy consumption, minimizing waste generation and sourcing materials responsibly.
	<ul style="list-style-type: none"> • Minimize waste generation and increase recycling rates. • Implemented eco-friendly production practices.
	<ul style="list-style-type: none"> • Carbon footprint for emissions in production operations was measured for the first time to identify suitable pathways to reduce carbon emissions across the organisation in the future. • Significant increase in the deployment of renewable energy sources.
	<ul style="list-style-type: none"> • Strengthened our Anti-Bribery & Corruption Policy and Code of Conduct & Ethics. • Upholding human rights principles and promoting inclusivity and diversity.

GOVERNANCE STRUCTURE

(GRI 2-9; GRI 2-12; GRI 2-14)

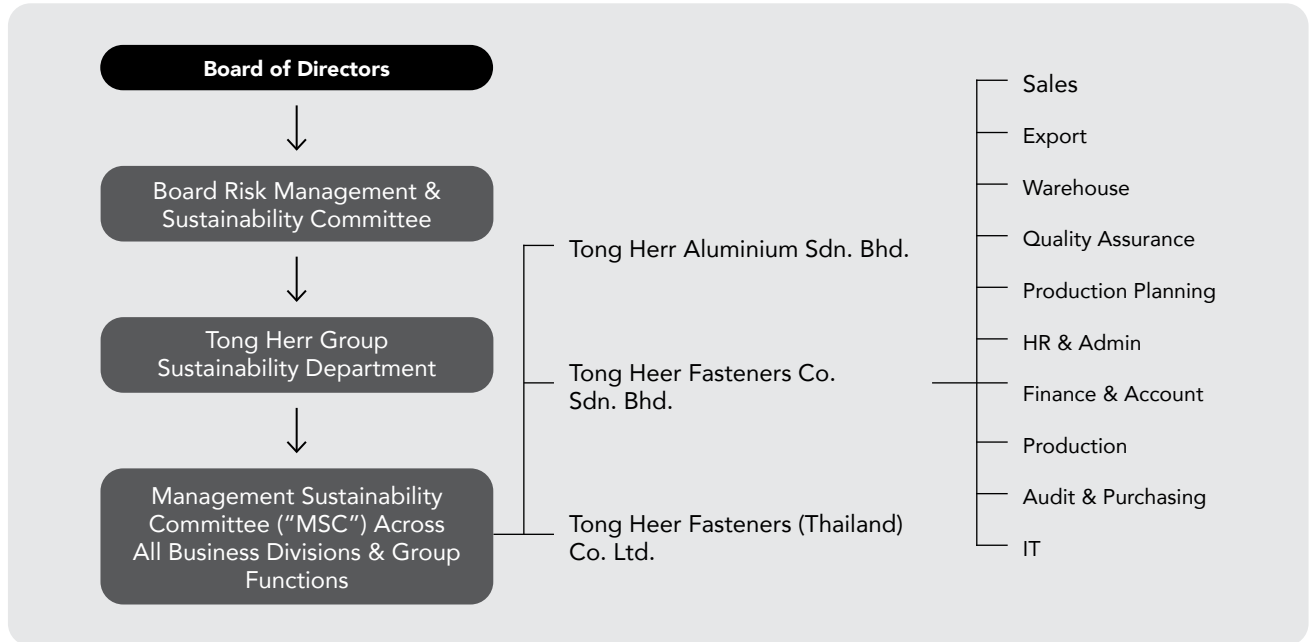
Tong Herr's unwavering commitment to transparency and accountability is not only a cornerstone of our business values but a driving force that shapes the trajectory of the entire Group. In line with our dedication to sustainability, we have recently formed a dedicated Sustainability Committee. This committee serves as the nucleus of our sustainability initiatives, ensuring that our practices adhere to the highest standards and encompass a comprehensive range of environmental, social, and governance (ESG) aspects. Through the meticulous work of this committee, we are able to refine and reinforce our sustainability objectives, continuously evolving to meet the dynamic landscape of sustainability practices.

The frameworks instituted by our Sustainability Committee are deeply embedded in our day-to-day operations, providing a solid foundation for our sustainability endeavors. These frameworks not only define our objectives but also empower us to seamlessly integrate sustainability into the core of our business processes. By establishing this committee, Tong Herr emphasizes its commitment to staying at the forefront of sustainable business practices, setting industry benchmarks, and contributing to a more responsible and resilient future. As sustainability reporting continues to evolve, the committee plays a pivotal role in ensuring that our disclosures remain accurate, credible, and aligned with international best practices.

SUSTAINABILITY STATEMENT

GOVERNANCE STRUCTURE (Cont'd)

(GRI 2-9; GRI 2-12; GRI 2-14)



SUSTAINABILITY GOVERNANCE

The Group has seamlessly integrated its sustainability governance structure within the broader corporate governance framework. As a testament to our commitment to infusing sustainability throughout the organization, we have expanded the responsibilities of the Board and its committees to encompass sustainability elements, as clearly outlined in their respective terms of reference. The ultimate responsibility for defining the Group's sustainability strategic direction rests with the Board of Directors, with the necessary support from the Board Committees through delegated authority.

At the top level, the Board of Directors assumes the responsibility for steering the Group's sustainability strategy. This involves setting long-term sustainability goals, approving policies, and ensuring the alignment of sustainability initiatives with the broader corporate strategy.

Sitting at the nexus of risk management and sustainability, the Board Risk Management & Sustainability Committee dedicates its attention to assessing sustainability risks and opportunities. It provides valuable recommendations to the Board, ensuring that sustainability considerations are seamlessly integrated into risk management processes.

To operationalize and coordinate sustainability efforts across the Group, the Tong Herr Group Sustainability Department acts as the central hub of expertise. This department conducts materiality assessments, coordinates initiatives, and monitors the Group's overall sustainability performance, ensuring adherence to global standards.

The Management Sustainability Committee ("MSC") takes charge of implementing sustainability practices at operational levels across all business divisions and group functions. It is tasked with developing and executing sustainability action plans within individual business divisions, integrating sustainability considerations into day-to-day operations, and regularly reporting progress and challenges to the Board and relevant committees.

These governance functions collectively create a robust and interconnected framework, ensuring that sustainability is not only a strategic priority set by the Board but is also effectively implemented, monitored, and reported on at various operational levels within the organization.

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE (Cont'd)

Sustainability Management Committee

(GRI 2-9; GRI 2-12; GRI 2-14)

Board of Directors

- Provide strategic direction for sustainability initiatives.
- Supervise the advancement and maintain oversight of sustainability performance.
- Establish sustainability objectives and targets for the long term.
- Ensure that sustainability practices are in sync with the broader strategy of the Group.

Board Risk Management & Sustainability Committee

- Lead sustainability endeavours and propel ESG performance.
- Formulate and execute policies and frameworks for handling ESG-related risks.
- Oversee adherence to pertinent regulations and standards.
- Offer suggestions and direction on sustainable practices.

Management Sustainability Committee

- Lead working committee business and operations unit.
- Update the Board on materials issues and decision arising from Committee meetings.
- Ensuring resources and process are in place to enable the organisation to achieve its sustainability commitments.
- To oversee the overall management of stakeholder engagement.

Working Committee Business & Operations Unit

- Integrate sustainability considerations smoothly into daily operations.
- Discover and put into action sustainable practices and initiatives within business units.
- Keep a watchful eye on and report sustainability performance indicators.
- Work in partnership with stakeholders to enforce the adoption of best sustainability practices.

STAKEHOLDER ENGAGEMENT

(GRI 2-29)

Tong Herr actively engages with a diverse array of stakeholder groups, recognizing their significant impact on, or influence by, the Group and its operations. Our key stakeholder groups encompass shareholders, financiers, investors, government agencies, regulators, customers, employees, community members, non-governmental organizations ("NGOs"), and suppliers. The identification of these stakeholders is grounded in their varying levels of influence on our business and their reliance on our activities.

As a responsible corporate entity, we place a premium on maintaining transparent and constructive communication channels with all key stakeholders. Regular engagements occur through both formal and informal avenues, fostering a robust dialogue. These interactions are pivotal in pinpointing material issues relevant to stakeholders, gaining insights into emerging opportunities and risks, and equipping us to respond more effectively to their evolving needs.

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT (Cont'd)

Key Stakeholder Group	Engagement Platform	Outcome	Frequency
Customers	<ul style="list-style-type: none"> • Formal and informal meetings • Visit to customers' offices • Events • Customers satisfaction surveys 	<ul style="list-style-type: none"> • Improve relationship between customers and the company • Better product pricing and product quality 	<ul style="list-style-type: none"> • Ad Hoc
Employees	<ul style="list-style-type: none"> • In-house and On-site training • Internal communications • Employee engagement activities • Employee appraisals 	<ul style="list-style-type: none"> • Build up relationship between employers and employees • Code of conduct • Higher retention level of employees • Better Group performance 	<ul style="list-style-type: none"> • Regularly
Government/Regulators	<ul style="list-style-type: none"> • Formal meeting • Statutory reporting submission or regulatory requirement • Emails and letters • Inspections 	<ul style="list-style-type: none"> • Interpretation of new government regulations • Review of compliance protocols 	<ul style="list-style-type: none"> • Ad Hoc
Local Communities	<ul style="list-style-type: none"> • Formal meeting • Donations • Surveys 	<ul style="list-style-type: none"> • Stronger community branding for the Group 	<ul style="list-style-type: none"> • Ad Hoc
Shareholders and Investors	<ul style="list-style-type: none"> • Announcement via Bursa Malaysia • Annual General Meeting • Quarterly Report • Annual Report • Press releases and advertisements • Company's website 	<ul style="list-style-type: none"> • Enhance relationship between the Group and their shareholders 	<ul style="list-style-type: none"> • Annually
Suppliers	<ul style="list-style-type: none"> • Formal and informal meetings • Dialogue sessions • Site visits are held on request 	<ul style="list-style-type: none"> • Improve relationship between suppliers and the company • Better process of business production 	<ul style="list-style-type: none"> • Ad Hoc

SUSTAINABILITY STATEMENT

MATERIALITY ASSESSMENT

Stakeholder Engagement

- Identify and engage key stakeholders to understand their concerns, expectations, and priorities related to sustainability.
- Utilize surveys, interviews, and consultations to gather valuable insights from diverse stakeholder groups.

Identification of Material Topics

- Compile a list of potential sustainability topics, considering industry standards, global frameworks, and emerging trends.
- Evaluate topics based on their relevance to stakeholders, impact on the environment, and alignment with corporate values.

Prioritization and Scoring

- Establish clear criteria for prioritizing sustainability topics, emphasizing factors such as stakeholder significance, environmental impact, and financial implications.
- Score and rank topics based on the established criteria to identify the most material issues.

Integration into Reporting Framework

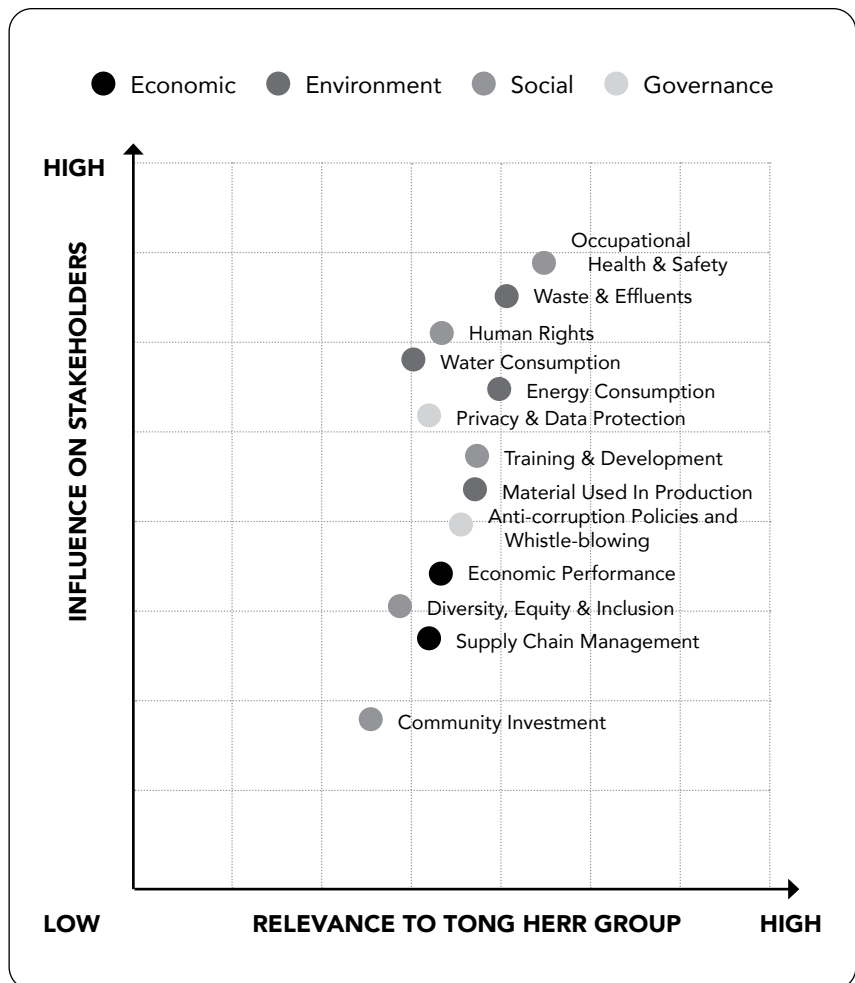
- Incorporate prioritized sustainability topics into the reporting framework, ensuring transparent communication of the materiality assessment process.
- Clearly present the selected topics in the sustainability report, linking them to corporate goals, strategies, and ongoing initiatives.

MATERIALITY MATRIX

(GRI 3-2)

Tong Herr employs a comprehensive approach to materiality assessment, incorporating the development of a materiality matrix. This matrix plays a pivotal role in discerning and prioritizing the critical ESG factors that are of paramount importance to both our stakeholders and our business. By harnessing the valuable insights derived from this matrix, we strategically orient our sustainability initiatives toward areas that yield the most significant impact. This ensures that our endeavours align with the expectations and needs of our stakeholders, concurrently contributing to the creation of enduring value.

Our Sustainability Report for the financial year 2023 outlines the crucial points identified through our materiality matrix. Comprising 13 substantial sustainability considerations, this matrix guides our unwavering commitment to responsible and sustainable practices. These priorities, in turn, shape our actions and reporting endeavours for the year, underscoring our dedication to addressing the most pertinent sustainability issues.



SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS

ECONOMIC SUSTAINABILITY

(GRI 3-3)

Nurturing Economic Growth and Community Resilience

The financial performance of Tong Herr forms the basis for generating enduring value and propelling our sustainability agenda forward. We are aware of our responsibilities to cultivate meaningful employment opportunities and drive economic development in the local communities where we operate. Our overarching aim is to fortify long-term resilience by optimizing our assets and equitably distributing the wealth generated among our diverse stakeholders.

Financial Strength & Stability

(GRI 201-1)

Tong Herr consistently achieves robust economic performance by diligently executing our comprehensive business strategy. This strategy involves staying attuned to market trends, upholding a sound balance sheet, ensuring robust cash flow, spearheading technological advancements, mitigating identified business-related risks, and actively seeking market expansion through diversification into new geographical regions.

The financial results presented in the table below were extracted from both the audited financial statement and our Management Discussion and Analysis. These materials are available for examination in our Annual Report for the fiscal year 2023.

	2021 RM'000	2022 RM'000	2023 RM'000
Economic value generated (i.e., revenue and other income)	759,142	993,154	608,723
Economic value distributed:			
- Operating costs	620,114	835,104	553,752
- Employee wages and benefits	42,405	42,593	38,338
- Payment to providers of capital (i.e., dividend and financing cost)	32,039	26,089	31,801
- Payment to government (i.e., tax)	21,813	24,980	5,718
- Community investment	91	10	30
Total	716,462	928,776	629,639
Economic value retained	42,680	64,378	(20,916)

Table 1.1: The Group's 3-year financial performance.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ECONOMIC SUSTAINABILITY (Cont'd)

Supply Chain Management

Tong Herr is unwavering in its commitment to advancing responsible procurement practices and fortifying the resilience of our supply chain by seamlessly integrating sustainability considerations into every facet of the procurement process. Our steadfast support for local businesses underscores our dedication to fostering economic growth within the communities where we have a presence. We actively prioritize engaging with local suppliers, extending business opportunities to small and medium enterprises ("SMEs") contractors, thereby contributing to the improvement of their livelihoods.

Assessment and Categorization of Suppliers

At every stage of our procurement processes, sustainability considerations are seamlessly integrated, starting from registration and extending to the annual supplier performance assessment. New and existing suppliers are mandated to meet our sustainability requirements, spanning ethical practices, health and safety, environmental management, and human rights principles. Following the assessment, suppliers are categorized based on maturity, and we conduct annual performance reviews, implementing internal risk mitigation measures and targeted intervention programs to aid suppliers in adopting sustainable sourcing practices within defined timelines.

Acknowledging the significance of our operational needs, we prioritize sourcing products and services locally whenever feasible. This not only contributes positively to the local economy but also aligns with our commitment to reducing our carbon footprint.

Our Performance

(GRI 204-1)

In 2023, we allocated approximately RM55 million, which amounted to 11% of our procurement spending, to local suppliers

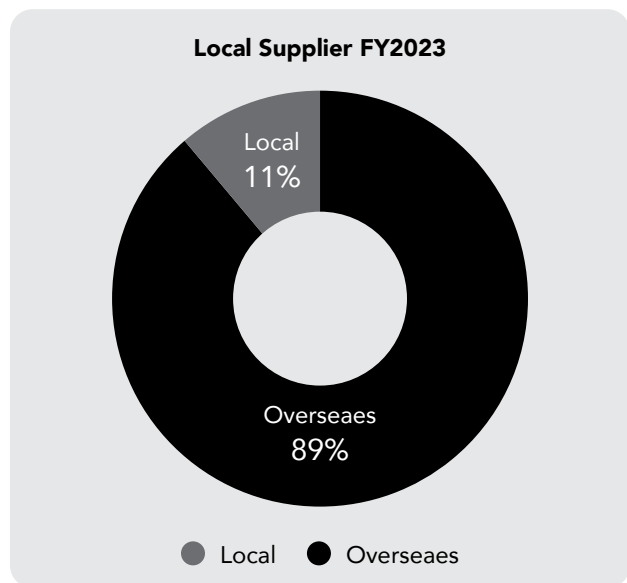


Illustration 1.1: The chart displays restated data on total suppliers contracted in FY2023 by Aluminium division and Fasteners division.

RESPONSIBLE GOVERNANCE

Ethical Integrity & Compliance

Tong Herr maintains unwavering standards of business ethics and compliance throughout the entire Group, reflecting our core values of Integrity, Dedication, and Creativity. This steadfast commitment plays a pivotal role in safeguarding the interests of both the business and stakeholders, fostering trust, and enhancing the confidence our stakeholders have in us. Moreover, we acknowledge the significance of a robust whistleblowing mechanism, empowering our employees to report any instances of unethical practices or compliance concerns. This further reinforces our dedication to transparency and accountability.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

RESPONSIBLE GOVERNANCE (Cont'd)

Transparency & Accountability

The Board and senior management are resolute in conducting business with unwavering integrity, guided by our Code of Conduct ("CoC"). This CoC effectively communicates Tong Herr's fundamental principles and guidelines to all employees, including Directors, addressing ethical issues, and delineating their responsibilities. Our Group maintains a zero-tolerance policy against corruption, as outlined in our Anti-Bribery and Corruption ("ABAC") Policy, which undergoes regular reviews to stay in alignment with the Malaysian Anti-Corruption Commission ("MACC") Act 2009.

Each new employee undergoes a comprehensive induction program upon joining Tong Herr, aimed at familiarizing them with our Group's Code of Conduct (CoC), Anti-Bribery and Anti-Corruption (ABAC) Policy, and other relevant policies and procedures. This induction program ensures that new hires gain a thorough understanding of our company's values, principles, and expectations regarding ethical behavior and compliance with regulations.

Following the completion of the induction program, all employees are required to participate in an annual training module. This training module serves as a refresher on our CoC, ABAC Policy, and other pertinent policies and procedures, designed to reinforce employees' understanding of these policies and ensure they remain up-to-date with any changes or updates.

Through regular training sessions, Tong Herr aims to foster a culture of compliance, integrity, and accountability among all employees, thereby promoting ethical conduct and minimizing the risk of misconduct within our organization.

Our suppliers are bound by ethical conduct and anti-bribery and corruption guidelines articulated in the CoC for Third Parties and ABAC Policy. Prior to commencing collaboration with us, all suppliers must sign a declaration confirming their commitment to adhere to Tong Herr's guidelines and policies in all their business interactions.

Tong Herr has instituted a dedicated whistleblowing channel in accordance with the Whistleblowing Policy, enabling both employees and external stakeholders to confidentially report any improprieties through email. The individual reporting concerns can submit them through email to whistleblower@tong.com.my, and these concerns will be directed to the Chairman of the Audit Committee. This Policy ensures the confidentiality of the whistleblower's identity unless the whistleblower provides consent or if such disclosure is mandated by law. To ensure accessibility to all stakeholders, the Group has made our CoC, ABAC Policy, and Whistleblowing Policy available on our corporate website.

Policy	Objective
Code of conduct and ethics	This Code is designed to elevate corporate governance and ethical standards, aiming to achieve several key objectives. Firstly, it seeks to raise the standards of honesty, integrity, and ethical behaviour expected from Directors. Secondly, it encourages the observance of these standards to protect and advance the interests of shareholders and all stakeholders. Additionally, the Code provides guidance to the Board, aiming to maintain the confidence of shareholders and other stakeholders in the Company's integrity. Lastly, it promotes good business conduct and nurtures a healthy corporate culture characterized by transparency and fairness.
Anti-corruption and bribery	Tong Herr maintains a zero-tolerance stance against corruption, fraud, and bribery. Our Anti-Bribery and Anti-Corruption ("ABAC") policy, in accordance with applicable laws and regulations, applies to all employees, directors, and individuals within our value chain. Adherence to this policy is compulsory, with training provided for new employees. Our unwavering commitment is to uphold the utmost ethical standards throughout our business operations.
Whistleblowing	The essence of this Policy is to empower employees to internally raise concerns and disclose information if they perceive potential wrongdoing within Tong Herr. These concerns encompass a spectrum including fraud, non-compliance with legal or regulatory obligations, threats to health and safety or the environment, criminal activity, improper conduct, unethical behaviour, and the concealment of any of the issues or a combination thereof. No reported cases were noted for the Group in FY2023.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

RESPONSIBLE GOVERNANCE (Cont'd)

Corruption Related Training

(GRI 205-1, GRI 205-2, GRI 205-3)

Employee Category	Completion rate (%)		
	2021	2022	2023
Management	N/A	N/A	100%
Executive	N/A	N/A	100%
Non-Executive	N/A	N/A	100%

Privacy and Data Protection

The heightened digitalization has concurrently increased the susceptibility of data to cybersecurity risks. Consequently, our unwavering commitment lies in advancing the management of the escalating threat of cyber-attacks on Tong Herr, with a primary emphasis on safeguarding the sensitive information of our customers. Our dedicated efforts, led by our vigilant IT Team, are geared towards advancing the prevention of breaches, mitigating threats, and averting the loss of customer data, ensuring the resilience and security of our digital landscape.

Transparent Data Practices

(GRI 418-1)

The Group remains committed to enhancing its cybersecurity measures by strictly following our Data Privacy Policy. This policy is designed in accordance with the Personal Data Protection Act ("PDPA") 2010 and our cybersecurity framework is deeply integrated into our operations and processes, ensuring compliance with all regulatory requirements in the various regions where we operate.

Transparency stands as a foundational principle in our approach to privacy. Tong Herr is dedicated to furnishing individuals with clear and easily accessible information concerning the collection, processing, and utilization of their personal data. Through these transparent data practices, we empower our stakeholders to make well-informed decisions about the handling of their information, nurturing a relationship built on trust.

Furthermore, we would like to highlight that a total of 776 declaration forms were reverted and complied by our staff, along with 55 declaration forms from our suppliers/vendors. This demonstrates our commitment to maintaining transparency and compliance with data protection regulations in our operations.

As of 31 December 2023, there have been no validated complaints regarding infringements on customer privacy or instances of data loss.

	2021	2022	2023
Number of substantiated complaints concerning breaches in customer privacy or data loss	0	0	0

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ENVIRONMENTAL STEWARDSHIP

(GRI 302-1, GRI 302-4)

Energy Management

Tong Heer recognize that effective energy management extends beyond mere cost reduction and operational efficiency—it entails safeguarding our planet's resources and mitigating the impacts of climate change. Through our steadfast commitment to sustainable energy practices, we aim to make a positive environmental impact while simultaneously delivering value to our stakeholders. Acknowledging the significant influence of our energy consumption, as well as GHG emissions, on climate change effects, we, as responsible corporate citizens, understand the imperative of minimizing our carbon footprint. This dual commitment underscores our proactive stance in addressing climate change challenges while actively seeking opportunities for positive contributions and embracing sustainable practices throughout our operations.

Optimizing Energy Usage

Our principles regarding energy consumption is deeply grounded in a steadfast commitment to responsible resource management. Acknowledging the finite nature of these resources, we, as custodians of the environment, recognize the paramount importance of minimizing our impact on energy sources and optimizing energy usage. This dedication spans across our entire operations, underscoring our unwavering commitment to sustainability and environmental stewardship.

Our sustainability commitment goes beyond mere acknowledgment, as we actively incorporate sustainable practices to curtail energy consumption. This involves embracing energy-efficient technologies and adopting other innovations aligned with our overarching goal of minimizing our environmental footprint. Furthermore, our proactive approach extends to the installation of a Solar Photovoltaic (PV) System, harnessing renewable energy to further reduce reliance on conventional sources.

Our Performance

In recent years, we have embarked on a forward-thinking journey to seamlessly incorporate renewable energy into our operations through the gradual installation of solar photovoltaic systems. This strategic approach is aligned with our commitment to diminish dependence on electricity sourced from fossil fuels, marking a substantial move towards a more sustainable and environmentally friendly energy framework.

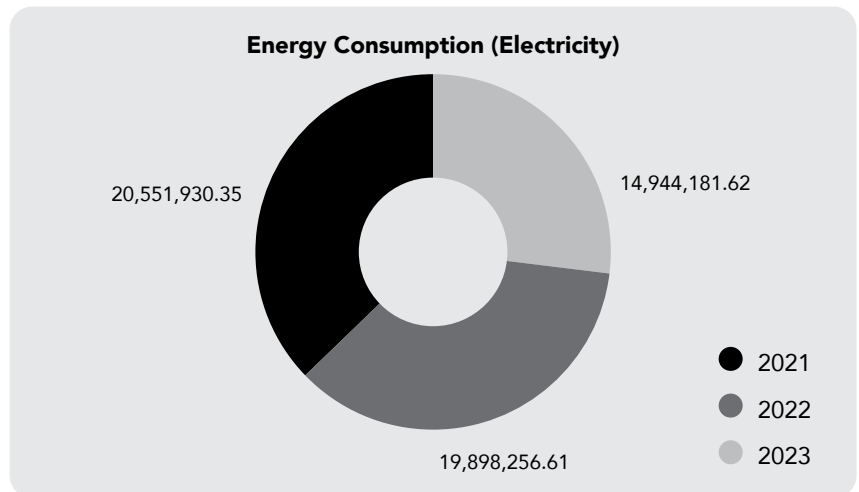


Illustration 1.2: The chart displays restated data on energy consumption in FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

	2021	2022	2023
Energy Consumption (Electricity)	20,551,930.35	19,898,256.61	14,944,181.62

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)**ENVIRONMENTAL STEWARDSHIP (Cont'd)**

The detailed analysis of energy consumption (electricity) data spanning from 2021 to 2023 underscores a promising trajectory towards sustainability goals. Notably, while a marginal reduction was observed from 2021 to 2022, the subsequent year marked a significant decline, indicating a commendable effort in energy efficiency initiatives. This trend signals a proactive approach towards environmental stewardship and underscores the organization's commitment to reducing its ecological footprint.

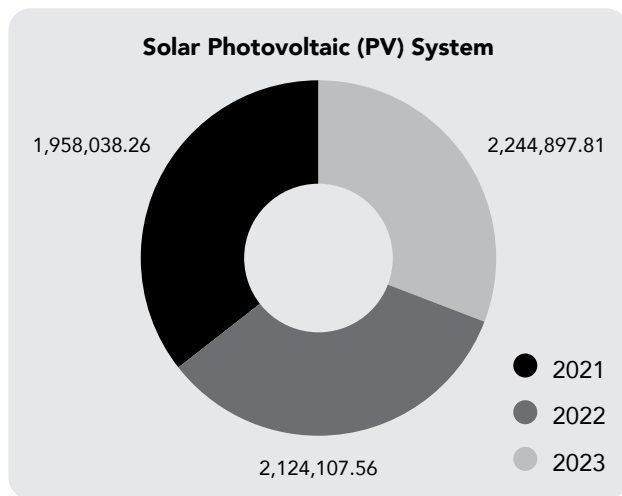
Tong Heer Fasteners Co. Sdn. Bhd - Solar Photovoltaic (PV) system

Illustration 1.3: The chart displays restated data on energy consumption on solar panels (kWh) in FY2021, FY2022 and FY2023 by Fastener division.

In fiscal year 2023, Tong Herr Fastener achieved an impressive reduction in its total electricity consumption, amounting to 1,958,038.26 kWh, marking a substantial decrease of 8% compared to the preceding year. This notable accomplishment highlights Tong Herr's steadfast dedication to sustainability and energy efficiency, showcasing its proactive approach towards environmental responsibility and resource optimization.

Emissions Management

(GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-5)

Tong Herr is unwavering in its commitment to achieving a 40% reduction in absolute greenhouse gas (GHG) emissions for both Scope 1¹ and Scope 2² by the year 2030. In the year 2023, our comprehensive emissions report indicated a total of 1,616.99 tCO₂-e for Scope 1 and 11,327.69 tCO₂-e for Scope 2. This signifies a noteworthy achievement, with a noticeable 26.08% reduction in total GHG emissions for Scope 1 and Scope 2 compared to the preceding year.

Furthermore, our sustainability efforts extend to the diligent tracking and monitoring of Scope 3 emissions, with a particular focus on factors such as business travel and employee commuting. In the current reporting period, these emissions were quantified at 15.52 tCO₂-e. As part of our ongoing commitment to transparency and environmental responsibility, we are actively refining our emissions data across all operational facets. In the near future, we aspire to set precise targets for reducing Scope 3 emissions as we continue to enhance our sustainability practices.

¹ Emissions from carbon fuel sources have been calculated using emissions factors from Department for Environment, Food & Rural Affairs (DEFRA)

² Source for Emission Factor: Malaysian Energy Commission (Suruhanjaya Tenaga Malaysia)

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ENVIRONMENTAL STEWARDSHIP (Cont'd)

Emissions Management (Cont'd)

GHG - Scope 1 (tCO₂-e)

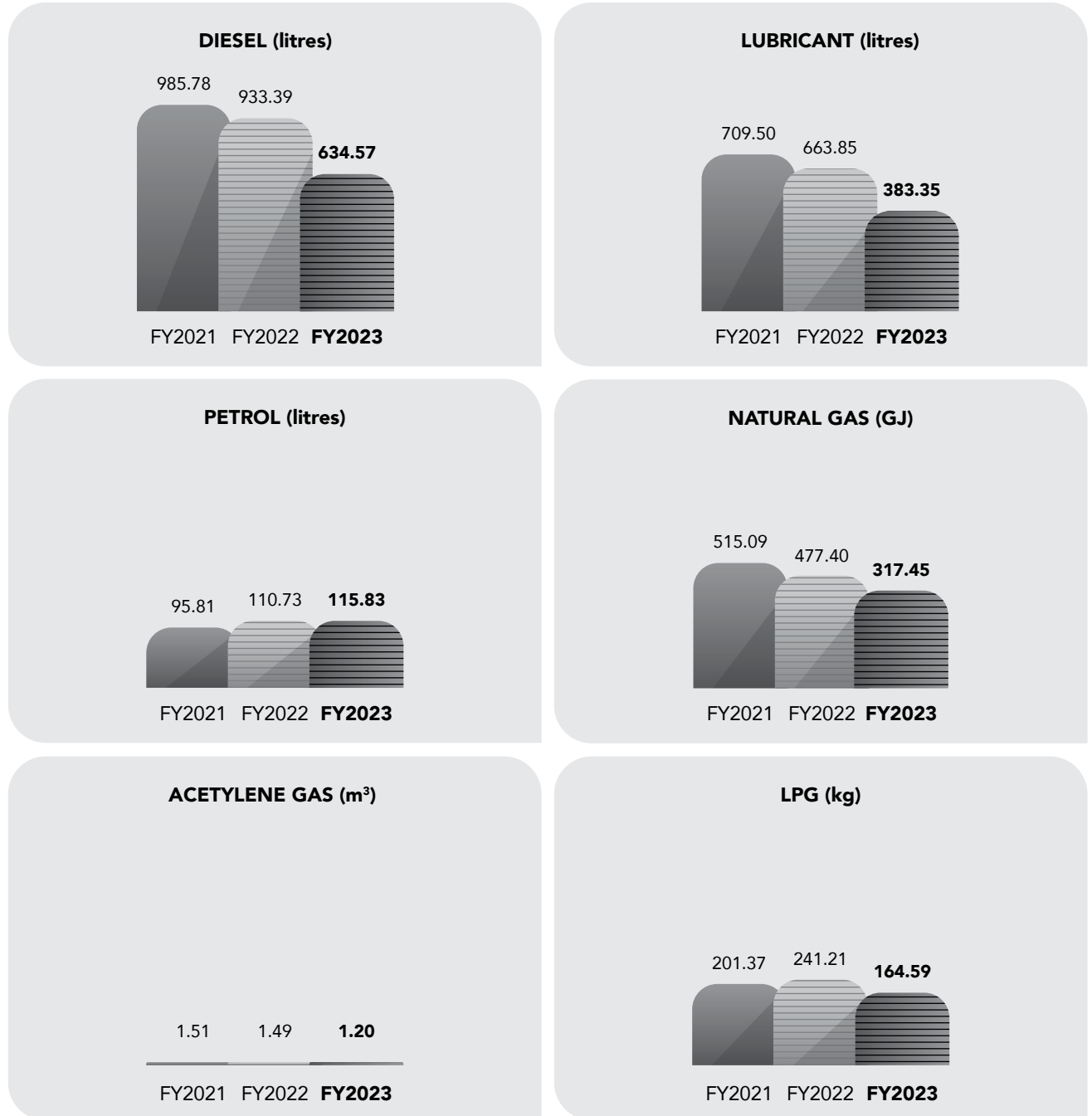


Illustration 1.4: The chart displays restated data on Scope 1 emissions for FY2021, FY2022, and FY2023 by the Fastener & Aluminium division.

Note: Nitrogen oxides (NO_x), which can include nitrogen dioxide (NO₂), were formed but excluded from the emission calculation. While NO₂ is a contributor to air pollution, it is not a direct source of CO₂ emissions.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ENVIRONMENTAL STEWARDSHIP (Cont'd)

Emissions Management (Cont'd)

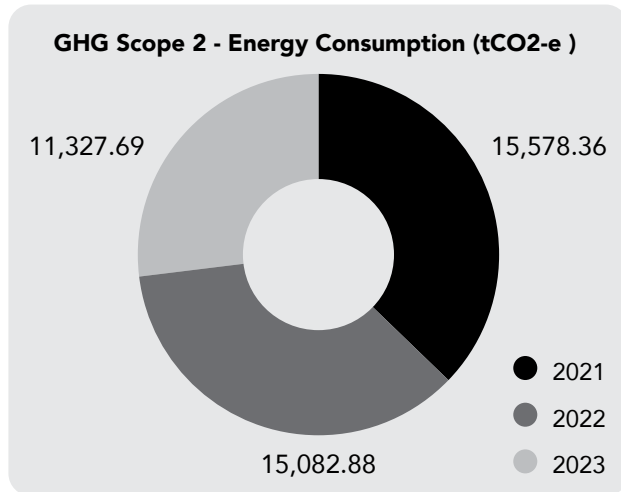


Illustration 1.5: The chart displays restated data on Scope 2 emissions for FY2021, FY2022, and FY2023 by the Fastener & Aluminium division.

The Scope 2 electricity consumption for Tong Herr showed a consistent decrease over the three-year period analyzed. In 2021, electricity consumption amounted to 15,578.36 units, which decreased slightly to 15,082.88 units in 2022, representing a decrease of approximately 3.18%.

Notably, in 2023, there was a significant reduction in electricity consumption to 11,327.69 units, indicating a further decrease of approximately 24.90% compared to 2022. This trend underscores Tong Herr's commitment to improving energy efficiency and reducing environmental impact.

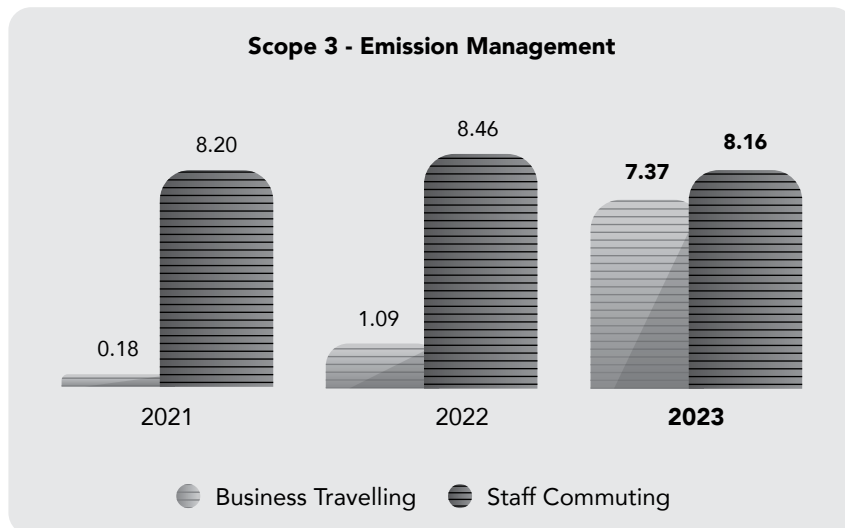


Illustration 1.6: The chart displays restated data on Scope 3 emissions for FY2021, FY2022, and FY2023 by the Fastener & Aluminium division.

The trend analysis of Tong Herr's Scope 3 GHG emissions reveals significant variability. Emissions from business traveling started at 0.18 tCO₂-e in 2021, escalating sharply to 1.091 tCO₂-e in 2022, signifying a notable increase of approximately 5.12%. This upward trajectory continued into 2023, with emissions spiking to 7.37 tCO₂-e, representing a remarkable surge of approximately 5.75% compared to the preceding year.

Similarly, emissions stemming from staff commuting increased from 8.20 tCO₂-e in 2021 to 8.46 tCO₂-e in 2022, marking a substantial rise of approximately 3%. Although there was a slight decrease to 8.16 tCO₂-e in 2023, it still denotes a change of approximately -0.30% compared to the previous year.

These trends suggest a mixed performance in GHG emissions reduction efforts, with significant improvements in certain areas but challenges in others. It underscores the necessity for continued focus on sustainability initiatives across the organization.

Hazardous Emission Management

The management of hazardous emissions is entrusted to qualified personnel, particularly our Boiler Man. This dedicated individual oversees daily monitoring activities and follows a comprehensive checklist to ensure compliance with safety and environmental regulations, further contributing to our commitment to minimizing GHG emissions and fostering a safe working environment.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ENVIRONMENTAL STEWARDSHIP (Cont'd)

Water Consumption

The escalating problem of water scarcity is intensified by multiple factors, such as climate change, inadequate water management, and contamination. In response to the rising occurrence of water cuts and shortages, we are dedicated to addressing this challenge through the adoption of resilient water management practices throughout our operations. This proactive strategy is designed to reduce the risk of water scarcity and promote responsible and sustainable water use.

Sustainable Water Usage

As a Group, we steadfastly uphold our Environmental Policy, employing a practical approach to water management that centers on augmenting water efficiency and championing conservation efforts.

Our water consumption primarily stems from various factory activities, encompassing pickling, boiling, degreasing, machinery cooling, and cleaning. Additionally, water is utilized in our office spaces. We are committed to the execution of water conservation initiatives and the cultivation of awareness regarding responsible water management among employees across all our locations. These initiatives include:

- a) Propagation of awareness among employees through reminders focusing on water-saving habits within our office premises.

We pledge to conduct annual reviews of our water management plans across all operations, ensuring a perpetual commitment to efficiency enhancement and the realization of our targeted reductions in water consumption.

Our Performance

(GRI 305-5)

Analysis of our water consumption data over the fiscal years 2021 to 2023 demonstrates a substantial decline, with consumption decreasing from 321,365.42 m³ in FY2021 to 281,289.9 m³ in FY2023, representing a noteworthy reduction of approximately 12.47%. This decline underscores our steadfast commitment to sustainable water management practices, aligning with our broader environmental objectives. Going forward, we remain resolute in our efforts to further optimize water usage efficiency, integrate innovative technologies, and uphold responsible environmental stewardship as integral components of our corporate sustainability strategy.

Tong Herr Water Consumption (m³)

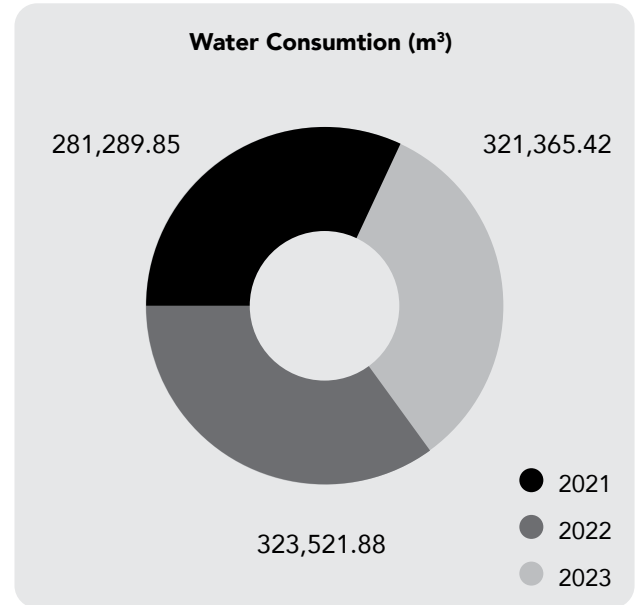


Illustration 1.7: The chart displays restated data on water consumption for FY2021, FY2022, and FY2023 by the Fastener & Aluminium division.

	FY202 1	FY2022	FY2023
Water (m ³)	321,365.42	323,521.88	281,289.85

Tong Herr's water consumption data reveals a nuanced trend over the three fiscal years analyzed. Starting in FY2021, water usage stood at 321,365.42 m³, marking the baseline for consumption. In the subsequent fiscal year, there was a marginal uptick, with water usage increasing to 323,521.88 m³ in FY2022, representing a slight increase of approximately 0.67%. However, in FY2023, Tong Herr demonstrated a significant reduction in water consumption, with levels dropping notably to 281,289.85 m³, indicating a decrease of approximately 13.05% compared to FY2022. This fluctuation suggests a potential response to efficiency measures or operational changes, reflecting a dynamic approach to water resource management within the company.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)**ENVIRONMENTAL STEWARDSHIP (Cont'd)****Waste and Effluents**

(GRI 306-2)

At Tong Herr, our dedication to responsible waste management is unwavering, aiming to mitigate our environmental footprint and contribute positively to neighbouring communities, especially in our fasteners and aluminium business sectors. Recognizing the critical importance of proper waste management in averting potential risks to air and water quality and safeguarding the well-being of our employees and nearby communities, we actively embrace proactive measures to uphold responsible waste management practices across all our operations.

Eco-Friendly Production Practices

In our commitment to mitigate greenhouse gas (GHG) emissions, we have implemented eco-friendly chemicals across various aspects of our production processes. This proactive approach involves regular monitoring and inspection measures to ensure the environmentally conscious usage of these substances. Monthly inspections are conducted to guarantee adherence to environmental standards, enhancing not only the efficiency of our boiler operations but also the overall sustainability of our production processes. Additionally, annual sampling and emission monitoring activities are carried out comprehensively to assess and control our environmental impact.

Air, Effluent and Wastewater Compliance

Scrubbers were compliant with the limit as specified in the Environmental Quality (Clean Air) Regulation 2014. Mainly, we are using an air pollution control system to filter air contaminants/pollutants before release. Nevertheless, routine on-site air emission monitoring and industrial effluent discharge monitoring are consistently conducted to ensure that emissions and discharged effluents adhere to permissible limits. The Group has enlisted the services of an independent consultant to carry out sample testing and generate regular monitoring reports.

Adhering to the Environmental Quality (Industrial Effluent) Regulations 2009, it is mandatory to treat wastewater before its discharge into surface waters from any premises. Tong Herr operates an in-house water treatment plant specifically designed to treat any sewage generated before being discharged into inland waters. This proactive approach aims to prevent potential health hazards associated with discharging wastewater into the environment and alleviate the strain on public water treatment facilities. Regular audits are conducted to ensure compliance with waste management regulations.

Waste Management

At our factory site, we have instituted a systematic waste separation process, classifying waste into distinct categories such as aluminium dross, aluminium sludge, waste oil, sludge, and fabric waste to facilitate efficient reuse and disposal. Our approach ensures meticulous handling of scheduled waste, with regular monitoring and comprehensive on-site record-keeping. To manage scheduled waste responsibly from collection to disposal, we enlist licensed contractors and strictly adhere to all relevant protocols and regulations, maintaining a commitment to environmentally sound practices.

Moreover, the management actively promotes eco-friendly practices among the staff, emphasizing the efficient use of stationery. Employees are encouraged to reuse papers that have been printed on only one side for internal draft documents. Additionally, used materials like one-sided papers, paper cartons, and cardboard boxes are either repurposed whenever feasible or responsibly sent to recycling centers. This initiative reflects our commitment to sustainable practices and environmental stewardship within our workplace.

As part of our ongoing dedication to improvement, we are actively understudying future enhancements for environmental friendliness. Initiatives such as our internal GTGF activities (Go to Green Fasteners) exemplify our commitment to sustainable practices, providing a roadmap for the integration of eco-friendly measures not only in our boiler operations but across our entire production processes.

Our Performance

(GRI 306-3, GRI 306-4, GRI 306-5)

In the year 2023, Tong Herr generated a total of 4,982.12 mt of waste, encompassing both hazardous and non-hazardous categories. Notably, 19% of this waste was successfully reused or recycled. The hazardous waste falls under the scheduled waste category, while non-hazardous waste comprises domestic waste, construction waste, and recyclable materials.

In our pursuit of sustainability, we conduct thorough audits for scheduled waste transporters, ensuring compliance with Malaysian Regulations for Environmental, Safety, and Health. All our vendors align with these standards. To enhance communication and compliance, we provide yearly safety inductions for vendors, reinforcing our commitment to a sustainable and responsible supply chain. These initiatives not only contribute to our environmental stewardship but also uphold our commitment to the well-being of our community and surroundings.

SUSTAINABILITY STATEMENT

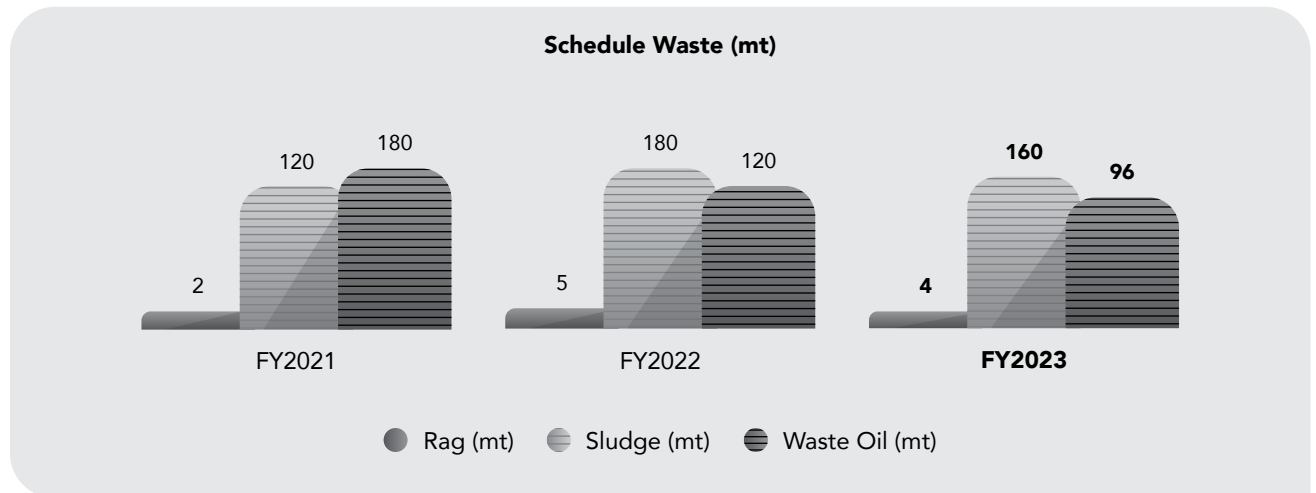
MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ENVIRONMENTAL STEWARDSHIP (Cont'd)

Waste and Effluents (Cont'd)

Our Performance (Cont'd)

Tong Heer Fasteners Co. Sdn. Bhd.



Non-Schedule Waste (mt)

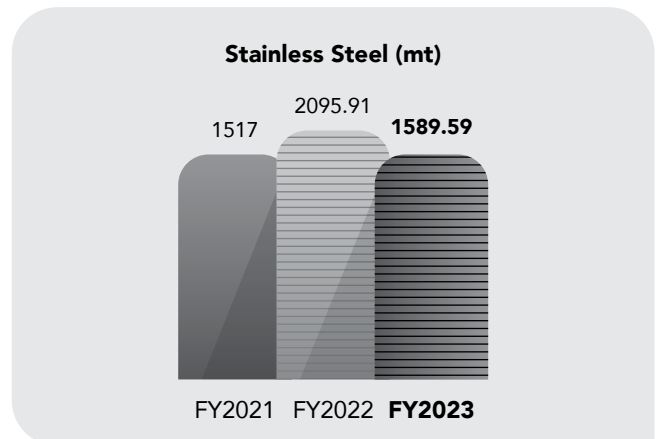
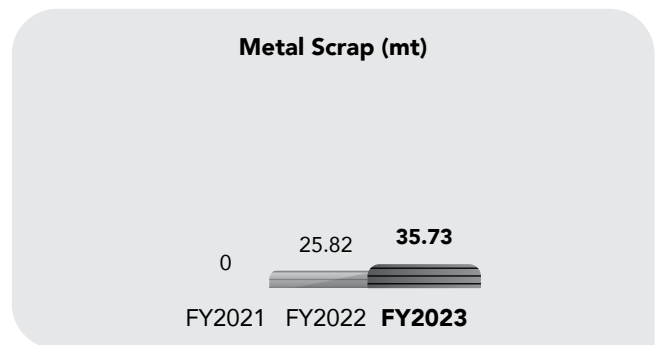
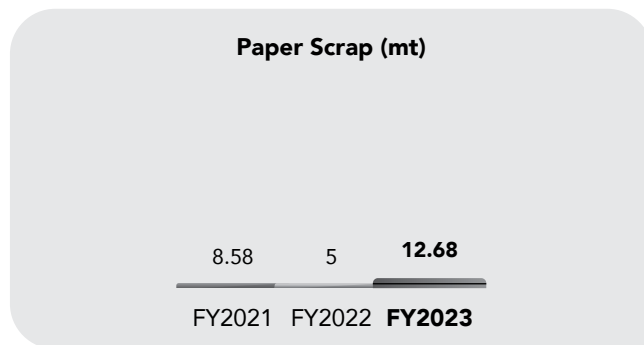


Illustration 1.8: The chart displays restated data schedule waste and non-schedule waste for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd. division.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

ENVIRONMENTAL STEWARDSHIP (Cont'd)

Waste and Effluents (Cont'd)

Our Performance (Cont'd)

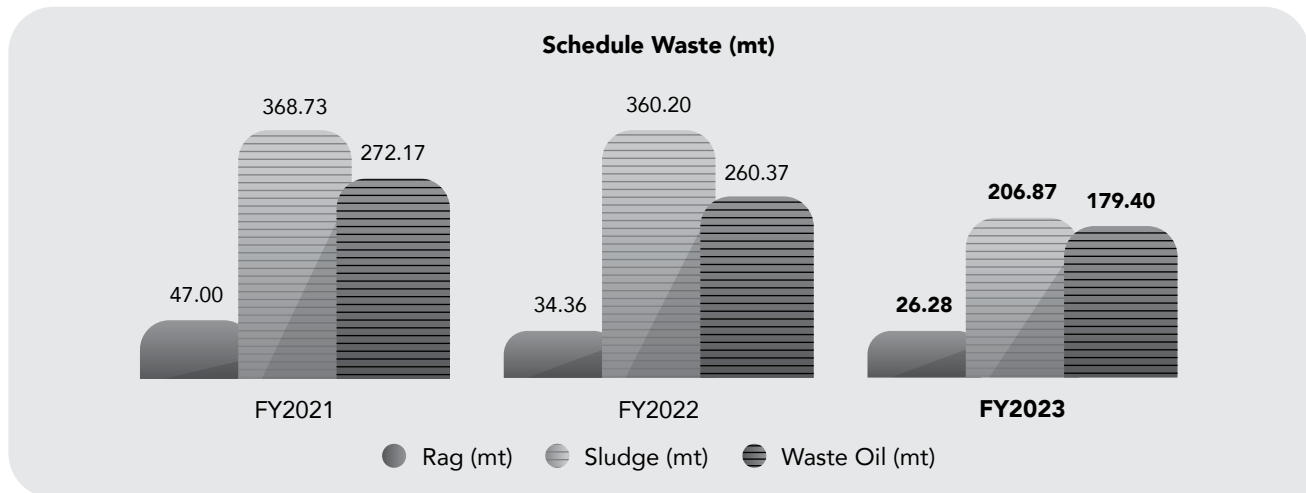
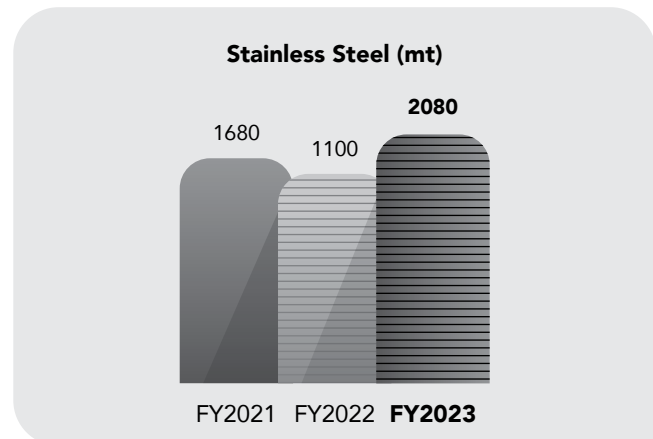
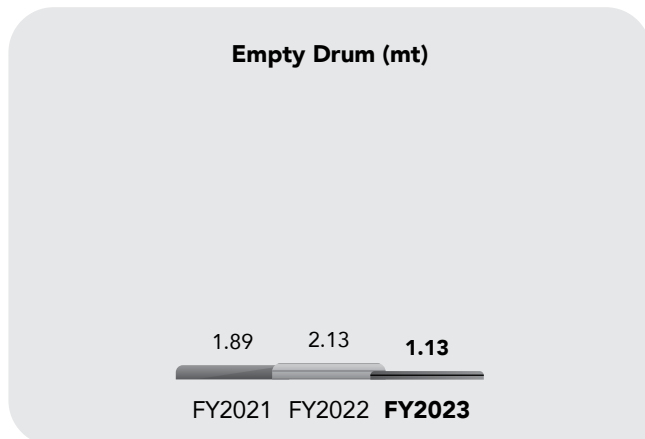
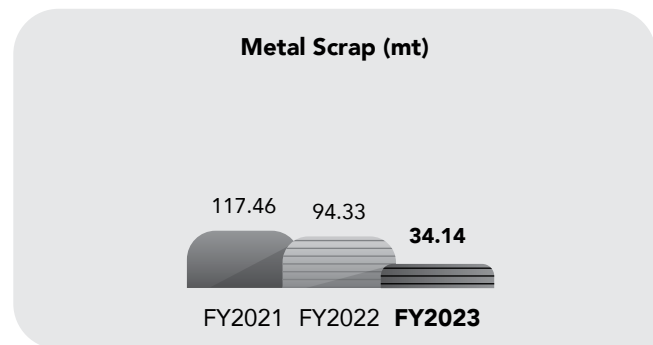
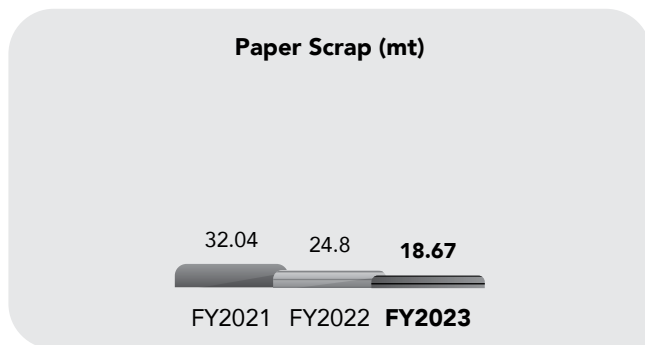
Tong Heer Fasteners (Thailand) Co. Ltd.**Non-Schedule Waste (mt)**

Illustration 1.9: The chart displays restated data Schedule waste and non-schedule waste for FY2021, FY2022, and FY2023 by Tong Heer Fasteners (Thailand) Co. Ltd. division.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

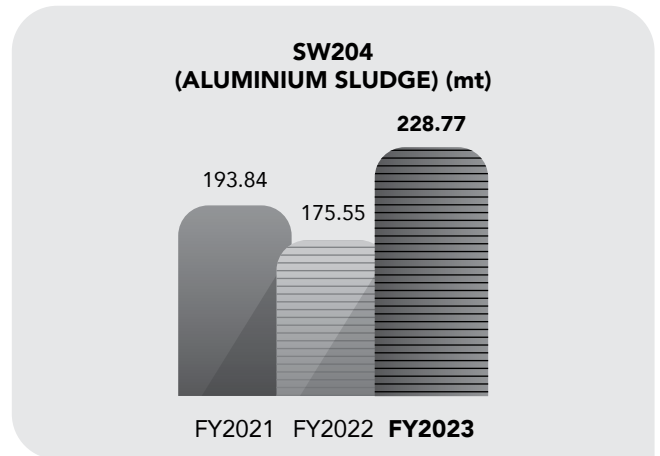
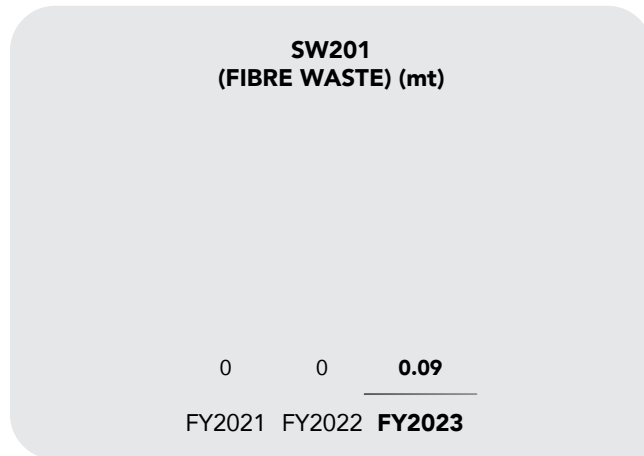
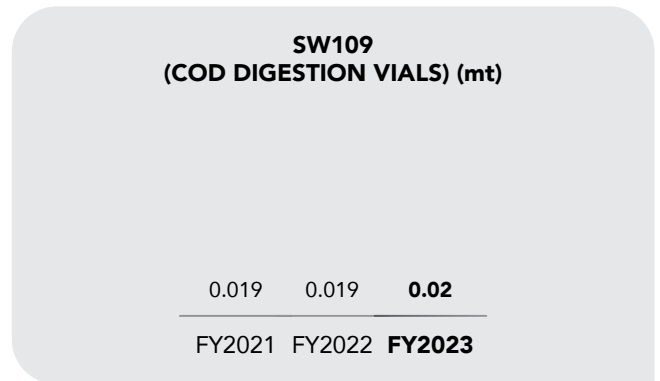
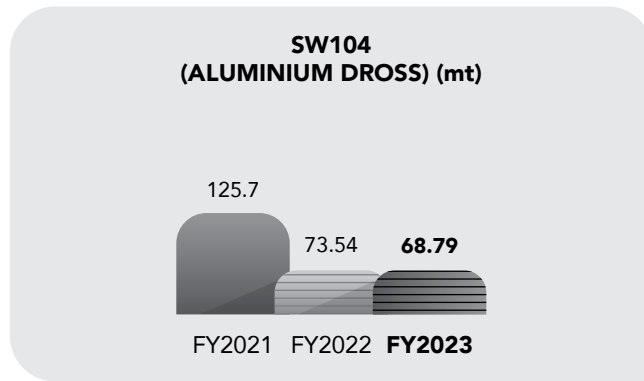
ENVIRONMENTAL STEWARDSHIP (Cont'd)

Waste and Effluents (Cont'd)

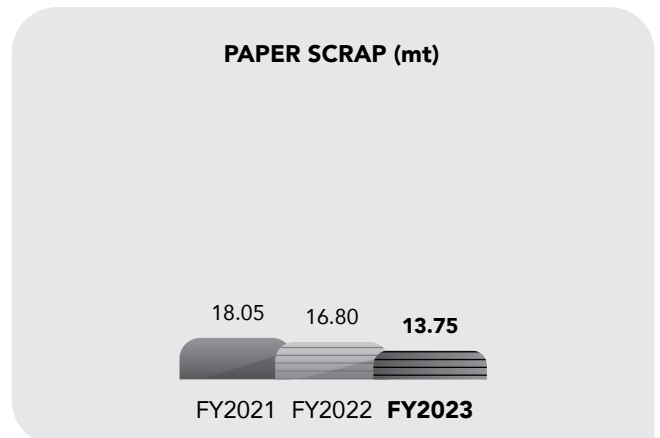
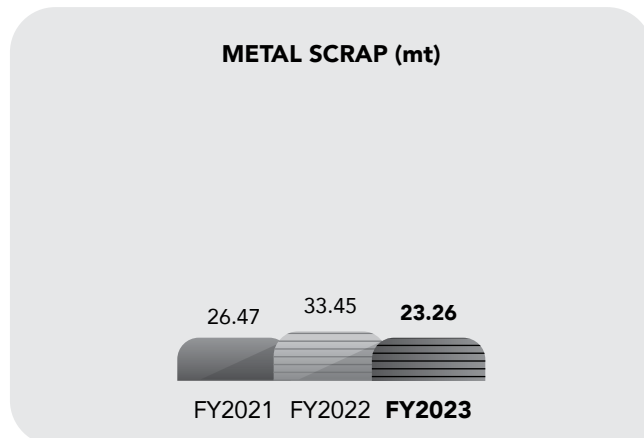
Our Performance (Cont'd)

Tong Heer Aluminium Industries Sdn. Bhd

Schedule Waste (mt)



Non-Schedule Waste (mt)



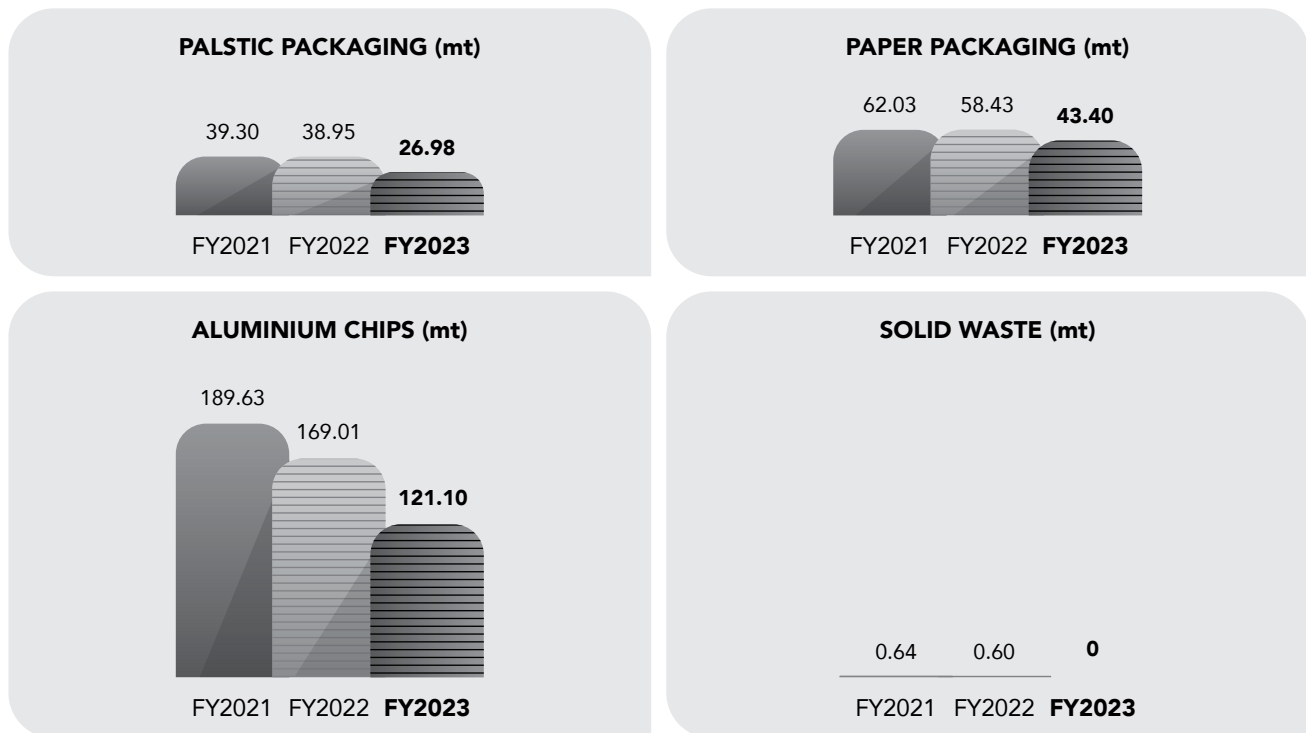
MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)**ENVIRONMENTAL STEWARDSHIP (Cont'd)****Waste and Effluents (Cont'd)****Our Performance (Cont'd)****Tong Heer Aluminium Industries Sdn. Bhd (Cont'd)****Non-Schedule Waste (mt)**

Illustration 2.0: The chart displays restated data Schedule waste and non-schedule waste for FY2021, FY2022, and FY2023 by Tong Heer Aluminium Industries Sdn. Bhd. division.

SOCIAL SUSTAINABILITY**Diversity, Equity and Inclusion**

Recognizing the invaluable strategic advantage that emanates from cultivating diversity and inclusivity within our workplace, we actively prioritize the integration of a broad spectrum of perspectives, experiences, and ideas. This commitment stems from our belief that a diverse workforce enhances innovation, problem-solving, and overall organizational excellence. To uphold the principles of equal employment opportunities and eradicate discrimination, we are steadfast in our efforts to actively encourage and embrace diversity across various dimensions, including gender, race, religion, age, and nationality.

Cultivating an Inclusive Environment

At Tong Herr, we vehemently oppose gender discrimination, ensuring that all employees receive competitive wages based on performance and merit. Our commitment to impartiality extends to career advancement, recognition, and rewards, all of which are determined fairly and without bias. Through these initiatives, we aim to cultivate an environment where diversity is not only acknowledged but actively embraced, contributing to the creation of a workplace where everyone feels valued, respected, and empowered.

To further enhance inclusivity, we have implemented various initiatives aimed at fostering mutual respect among employees, including the celebration of cultural events such as Hari Raya, Chinese New Year, Diwali, and others. Our commitment to an inclusive environment is reinforced by comprehensive policies, grievance mechanisms, and a robust Human Rights Policy. We firmly believe that diversity serves as a catalyst for creativity and innovation, ultimately driving our collective success as a forward-thinking and inclusive organization.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Our Performance

(GRI 405-1)

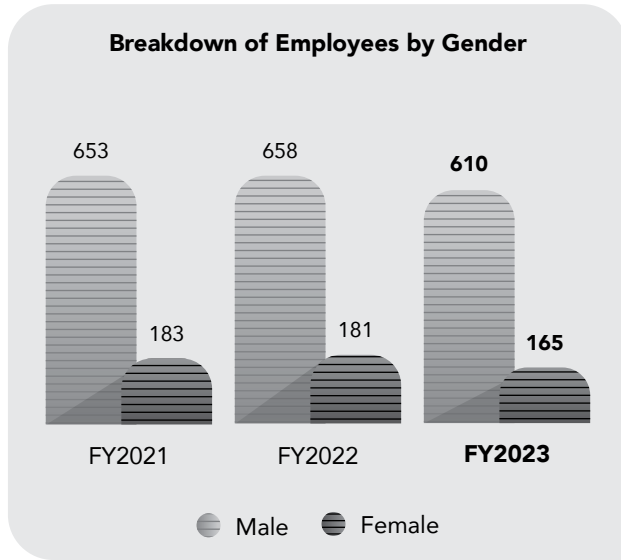


Illustration 2.1: The chart displays restated data breakdown of employees by gender for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

The data reflects changes in the hiring patterns of male and female employees within our office and production teams from FY21 to FY23. In the office, there has been a decline in the hiring of males (from 453 to 423), while there is an increase in the hiring of females (from 183 to 165), signalling a positive shift towards gender diversity. Conversely, in the production division, where the nature of work is physically demanding, there are fluctuations in male hires (from 608 to 567), possibly influenced by the heavy-duty tasks. Unfortunately, there is a decline in female hires in production (from 112 to 88). It is evident that the type of work may be impacting the gender composition in production roles.

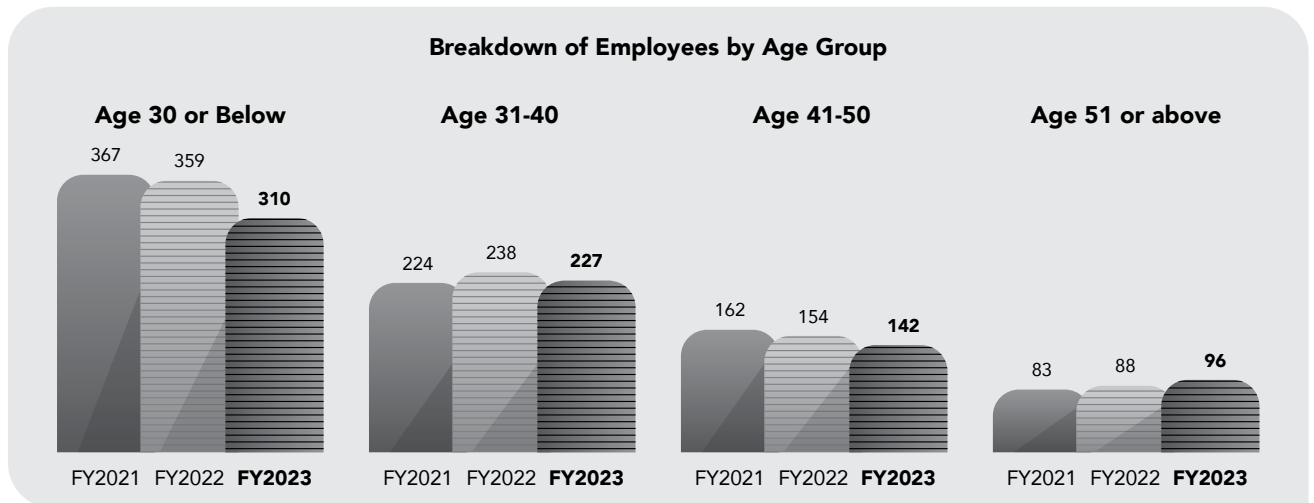


Illustration 2.2: The chart displays restated data breakdown of employees by age group for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

The age group analysis reveals a well-balanced workforce across various segments. With 310 individuals aged 30 or below, we actively recruit young professionals for their fresh perspectives and emerging skills. The 31-40 age bracket (227 employees) strikes a balance between new hires and mid-career professionals, fostering innovation and stability. In the 41-50 age group (142 employees), we emphasize the value of experience, retaining and nurturing seasoned professionals who mentor younger team members. The commitment continues with 96 employees aged 51 or above, reflecting our dedication to preserving institutional knowledge. This intentional age distribution contributes to a diverse workplace, encompassing a mix of experiences and perspectives within our organization.



TONG HERR RESOURCES BERHAD
SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Our Performance (Cont'd)

Breakdown of Employees by Geographical Region

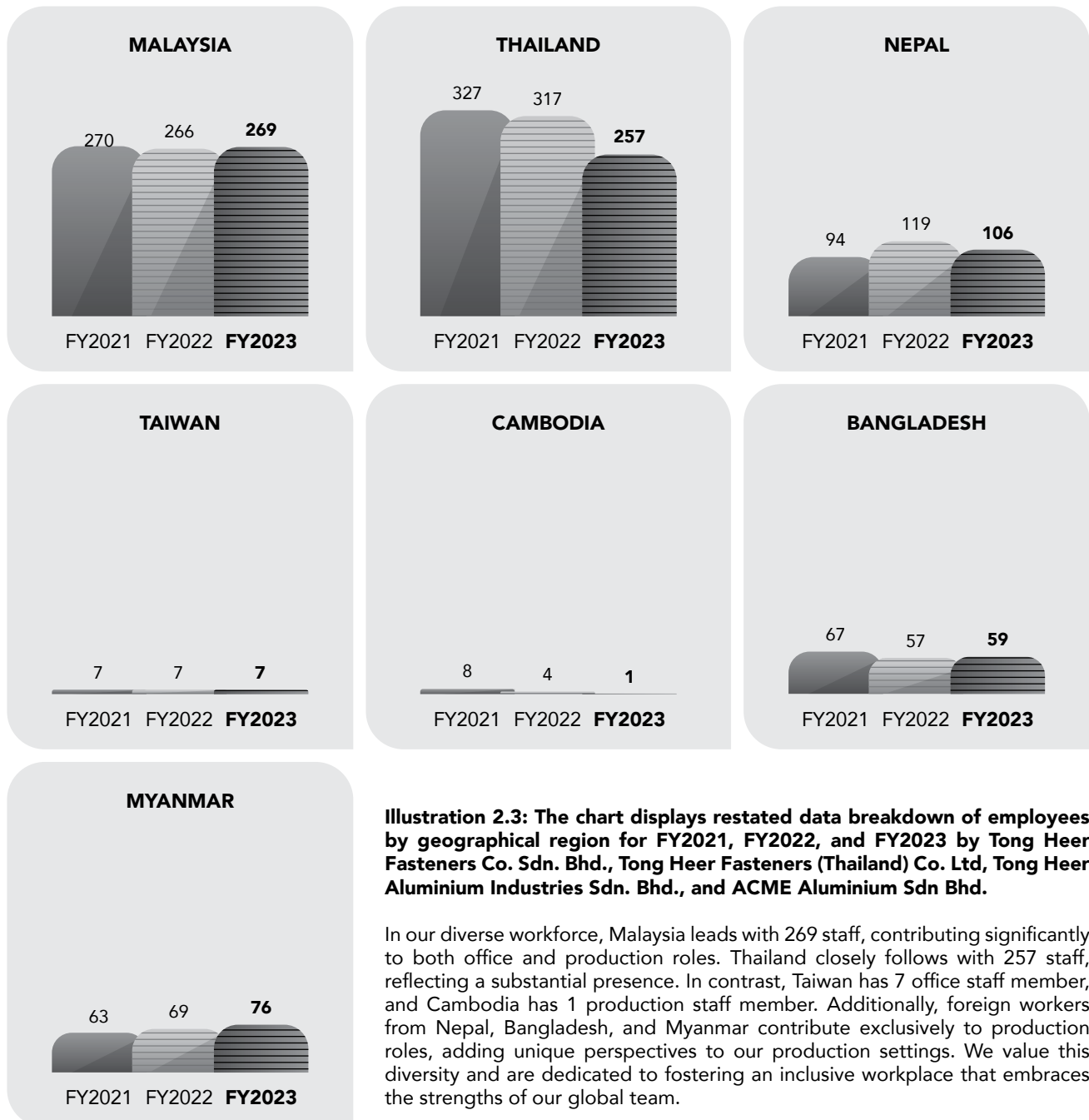


Illustration 2.3: The chart displays restated data breakdown of employees by geographical region for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

In our diverse workforce, Malaysia leads with 269 staff, contributing significantly to both office and production roles. Thailand closely follows with 257 staff, reflecting a substantial presence. In contrast, Taiwan has 7 office staff member, and Cambodia has 1 production staff member. Additionally, foreign workers from Nepal, Bangladesh, and Myanmar contribute exclusively to production roles, adding unique perspectives to our production settings. We value this diversity and are dedicated to fostering an inclusive workplace that embraces the strengths of our global team.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Our Performance (Cont'd)

Breakdown of Employees by Ethnicity

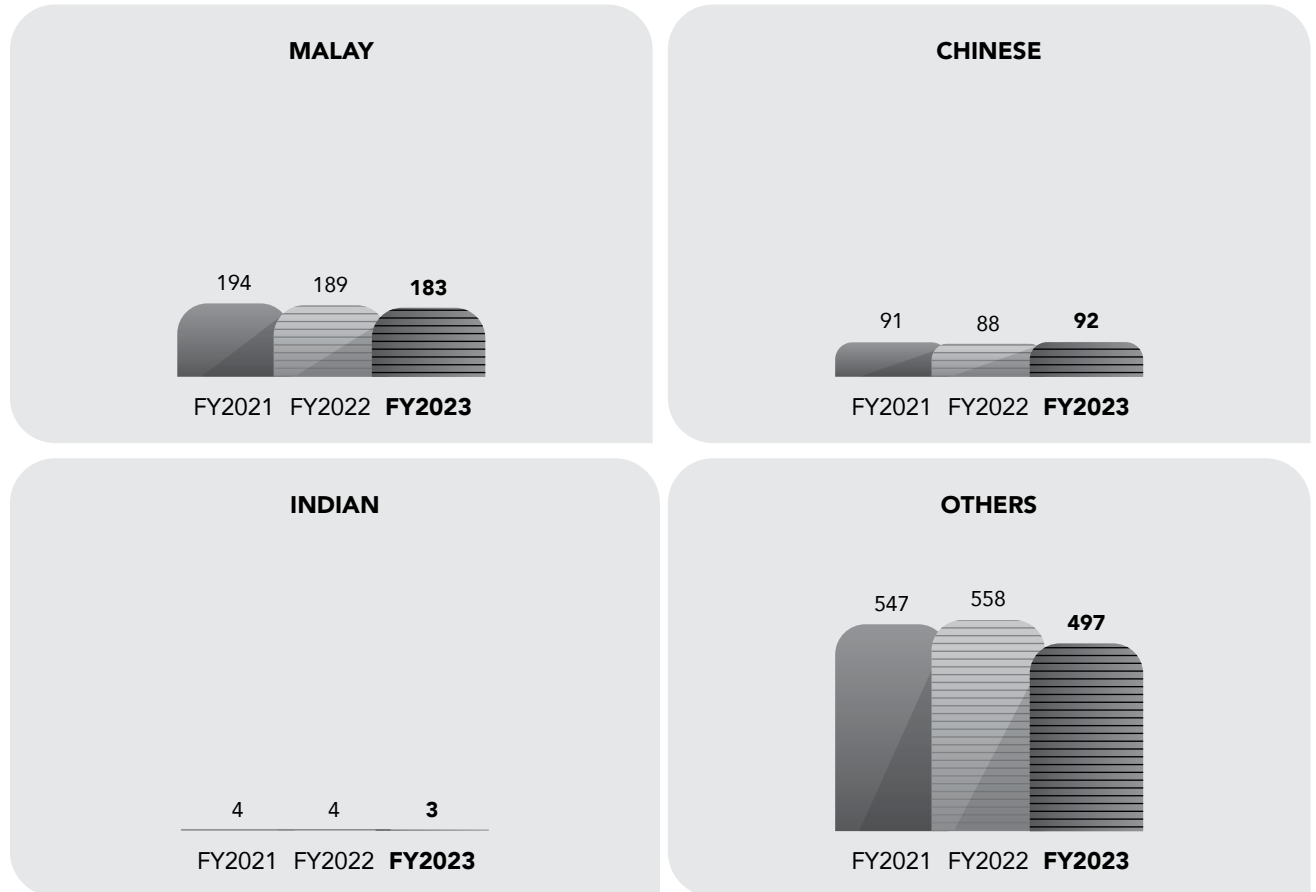


Illustration 2.4: The chart displays restated data breakdown of employees by ethnicity for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

Breakdown of Employees Hiring and Turnover

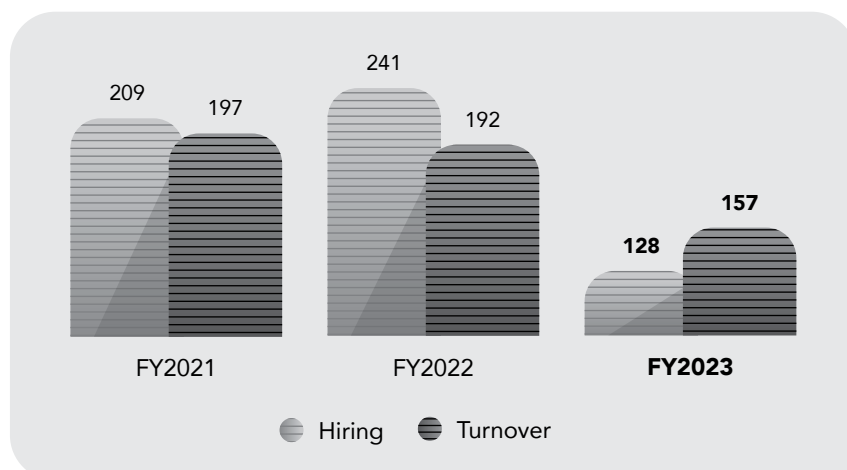


Illustration 2.5: The chart displays restated data breakdown of employees by employee hiring and turnover for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)**SOCIAL SUSTAINABILITY (Cont'd)****Our Performance (Cont'd)****Breakdown of Employees Hiring and Turnover (Cont'd)**

Tong Herr's hiring and turnover data for the fiscal years provide valuable insights into the company's workforce dynamics. In FY2021, the company hired 209 employees, which increased to 241 in FY2022, reflecting a growth of approximately 15.31%. However, in FY2023, there was a notable decrease in hiring, with the number dropping to 128, indicating a decline of approximately 46.89% compared to FY2022.

Regarding turnover, Tong Herr experienced a decrease in employee turnover over the same period. In FY2021, the turnover was 197, which decreased to 192 in FY2022, representing a decrease of approximately 2.54%. This trend continued in FY2023, with turnover further decreasing to 157, marking a decline of approximately 18.23% compared to FY2022.

These fluctuations suggest a dynamic employment landscape within Tong Herr, reflecting the company's efforts to manage its workforce effectively while maintaining stability and continuity.
Breakdown of Permanent Employees and Contractors

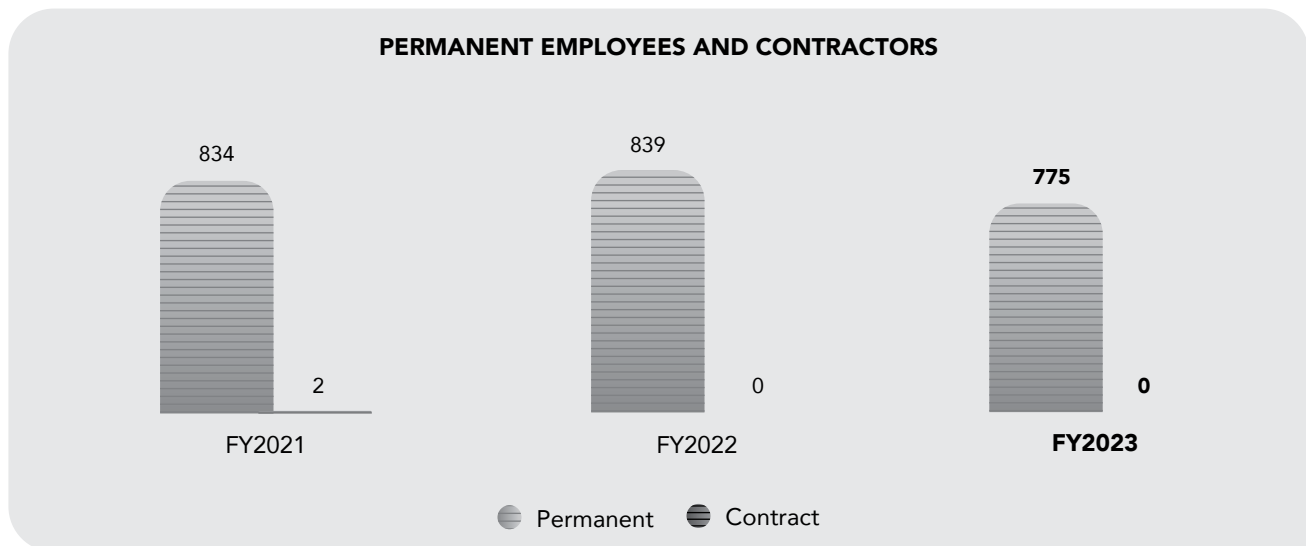


Illustration 2.6: The chart displays restated data breakdown of permanent employees and contractors for FY2021, FY2022, and FY2023 by Tong Heer Fasteners Co. Sdn. Bhd., Tong Heer Fasteners (Thailand) Co. Ltd, Tong Heer Aluminium Industries Sdn. Bhd., and ACME Aluminium Sdn Bhd.

The analysis of our Group's workforce composition over the fiscal years indicates stability in the number of permanent employees, with figures at 834 in FY2021, 839 in FY2022, and 775 in FY2023. This marginal decrease from FY2021 to FY2023 suggests a measured approach to workforce management. Notably, the complete absence of contract employees in FY2022 and FY2023 reflects a strategic shift away from contingent arrangements, potentially indicating a focus on fostering a more stable and committed workforce.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Occupational Health and Safety

Commitment to Safe Work Environments

At Tong Herr, the health and safety of our employees are paramount in every facet of our business operations and workplaces. We are committed to fostering a work environment that is not only healthy and safe but also conducive to preventing injuries and illnesses among our workforces. This commitment, in turn, contributes to heightened efficiency and productivity levels.

Adaptation to Emerging Best Practices

(GRI 403-1, GRI 403-4, GRI 403-5)

At Tong Herr, our health and safety approach is dynamic and continually evolving. We embrace a culture of continuous improvement, regularly reviewing and adapting our strategies to align with emerging best practices and industry standards.

Our goal is to attain exceptional health and safety standards through the implementation of a robust Safety and Health Policy. This policy clearly articulates our commitments to fostering a secure working environment. It is effectively communicated to our employees through safety and health meetings, weekly production meetings, notice boards, briefings, and the dissemination of safety and health meeting minutes.

At Tong Herr, our unwavering commitment to the well-being of our employees is integral to our core values. We prioritize the creation of safe work environments that foster a culture of health and safety across all our operations, particularly in our production facilities. The following highlights our commitment to ensuring workplace safety and the provision of Personal Protective Equipment (PPE) to our valued production workers:

Safety Culture and Training

- We cultivate a strong safety culture through ongoing training programs that empower our employees with the knowledge and skills to identify and mitigate potential hazards.
- Regular safety briefings and training sessions are conducted to reinforce the importance of adhering to safety protocols and guidelines.

PPE Provision

- Tong Herr is dedicated to providing the latest Personal Protective Equipment to our production workers.
- This includes but is not limited to gloves, safety glasses, mask, ear plugs and other modern equipment tailored to the unique requirements of each work area.

Regular Audits and Inspections

- Our commitment to safety extends beyond the initial provision of PPE. Regular audits and inspections are conducted to ensure that PPE is in good condition and being used effectively.
- Any necessary adjustments or improvements are promptly implemented based on the findings of these audits.

Continuous Improvement

- We view safety as an evolving aspect of our operations and are committed to continuous improvement. Feedback from employees is actively sought, and their experiences contribute to refining our safety protocols.
- We invest in exploring up-to-date PPE solutions that enhance both the comfort and safety of our production workforce.



TONG HERR RESOURCES BERHAD
SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Occupational Health and Safety (Cont'd)

Health and Safety Management

Commitment to Safety Culture

Demonstrate a steadfast commitment to cultivating a safety culture that prioritizes the well-being of employees, contractors, and all stakeholders.

Regulatory Compliance

Ensure full compliance with local and international safety and health regulations, fostering a responsible approach to operations.

Continuous Training and Awareness

Invest in ongoing safety training programs to enhance the awareness and preparedness of all personnel, fostering a proactive approach to safety.

Emergency Preparedness and Response

Develop and maintain robust emergency preparedness and response protocols, emphasizing quick and effective actions to minimize potential impacts on safety.

Risk Management

Conduct regular risk assessments, implement preventive measures, and actively manage and mitigate risks to ensure a safe working environment.

Transparent Communication

Establish transparent communication channels for safety information dissemination, utilizing meetings, briefings, notice boards, and meeting minutes.

Incident Reporting and Investigation

Encourage a culture of prompt incident reporting and conduct thorough investigations, demonstrating a commitment to continuous improvement and learning from incidents.

Employee Engagement

Foster active employee participation in safety initiatives, seeking feedback, and encouraging a sense of ownership in the organization's safety culture.

Performance Monitoring and Reporting

Regularly monitor and transparently report safety performance metrics in sustainability reports, showcasing a dedication to accountability and improvement.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Occupational Health and Safety (Cont'd)

Health And Safety Trainings

Throughout the year 2023, a diverse group of 561 participants underwent a series of comprehensive training sessions focusing on health and safety standards.

	2021	2022	2023
Number of employees trained on health and safety standard.	539	422	561



Illustration 1.1 : Comprehensive Fire Emergency Response Training Program for Workplace Safety and Preparedness.

Work-Related Injuries

(GRI 403-9)

Tong Herr paramount goal is to guarantee the safety of every worker, ensuring their secure return home at the conclusion of each day. To realize this commitment, we steadfastly strive to prevent and minimize workplace incidents, with the aim of maintaining an annual record of zero fatalities. This unwavering dedication underscores our proactive approach to fostering a workplace culture where the well-being of our employees is a top priority, and safety measures are rigorously implemented to mitigate any potential risks.

	2021	2022	2023
Total Hours Worked	2,307,232	2,118,752	1,885,098
Number of Fatalities	0	0	0
Number of Lost Time Injuries	20.41	11.66	17.12
Lost Time Incident Rate (LTIR)	50.23	27.71	40.13



TONG HERR RESOURCES BERHAD
SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Human Rights

Commitment to Conscientious Practices

As a conscientious organization, Tong Herr places a paramount emphasis on upholding and respecting human rights across all our operations. We firmly believe that championing robust human rights practices not only contributes to enhanced productivity but also cultivates a healthy and inclusive working culture.

Adherence to Human Rights

(GRI 409-1)

In compliance with Malaysia’s labor regulations, the Group ensures that employees receive the statutory monthly minimum wage and appropriate overtime compensation, thus upholding its commitment to human rights. Furthermore, the Group opposes all indications of illegal, forced, bonded, compulsory, or child labor. To address the concerns of workers and stakeholders, the Group embraces an open, transparent, and collaborative approach, fostering resolution through constructive dialogue.

The envisioned Prevention of Forced Labour Policy aims to articulate explicit expectations for both employees and external stakeholders in their engagements with Tong Herr, particularly concerning human rights issues. The policy is expected to emphasize principles such as fair labor practices, a zero-tolerance approach to child and forced labor, protection against discrimination and harassment, upholding the freedom of association and collective bargaining, and the establishment of effective grievance mechanisms.

Our Performance

We are committed to intensifying our efforts in managing human rights to reach the goal of zero substantiated complaints related to human rights violations.

	2021	2022	2023
Number of substantiated complaints concerning human right violations	0	0	0

Training and Development

Fostering a Conducive and Empowering Work Environment

Tong Herr places paramount importance on its employees, acknowledging them as the cornerstone of our success and growth. We are steadfast in our commitment to attracting, nurturing, and retaining high-performing individuals by fostering a work environment that is not only conducive but also empowering. Furthermore, we prioritize substantial investments in comprehensive development programs to equip our employees with the skills and knowledge needed to remain competitive, forward-thinking, and well-prepared for the challenges of the future. This unwavering commitment reflects our firm belief that a skilled and motivated workforce is indispensable for the sustained prosperity and advancement of our organization.

Empowering Employees for Long-Term Success and Sustainability

Tong Herr’s approach to employee training and development is grounded in our commitment to fostering a skilled, motivated, and forward-thinking workforce. Recognizing that our employees are integral to our success, we prioritize creating a conducive and empowering work environment. We dedicate substantial resources to recruit, develop, and retain high-performing individuals who contribute to the growth and prosperity of our organization.

Our comprehensive approach encompasses strategic investments in development programs designed to enhance the capabilities and competencies of our employees. These programs not only focus on current job requirements but also aim to prepare our workforce for future challenges and opportunities. By prioritizing ongoing training and development initiatives, we ensure that our employees remain competitive, adaptable, and equipped with the skills needed in an evolving business landscape.

Tong Herr endeavours to cultivate an inspiring and supportive environment by offering competitive benefits and compensation packages designed to attract and retain top-tier talents.

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Training and Development (Cont'd)

Empowering Employees for Long-Term Success and Sustainability (Cont'd)

The following are amongst the benefits provided to our employees:

- a) Leaves: annual leave, no pay leave, sick or hospitalization leave, marriage leave, maternity leave and emergency leave.
- b) Allowance and Subsidy: professional membership subsidy, meal subsidy, petrol subsidy and attendance allowance.
- c) Insurance: group personal accident insurance, hospitalisation & surgical insurance and foreign worker insurance guarantee.
- d) Others: carpark facility, transportation arrangement for foreign workers, uniform & safety shoes, bona fide benefits, employee education assistance and panel clinics.

We believe in the continuous growth and progress of our employees, which is essential for the overall success of Tong Herr. Our commitment to employee training and development goes beyond fulfilling immediate organizational needs; it reflects our dedication to nurturing talent, promoting career advancement, and creating a workplace culture that values continuous learning and professional excellence. Through these initiatives, we aim to empower our employees to contribute effectively to the long-term success and sustainability of our organization.

Employee Training Hours

(GRI 404-1)

In the year 2023, the Group dedicated a total of 4016.5 hours to training, investing RM39,161.79 in a comprehensive range of internal and external learning and development programs.

Employee Category	Total hours of training		
	2021	2022	2023
Senior Management (i.e. Head of department or director)	138	123	184
Middle Management (i.e. Senior staff, manager and senior manager)	308.5	435.5	596
General Staff	2463.5	2898	3236.5
Total Hour	2910	3456.5	4016.5



Illustration 1.2: Comprehensive Anti-Bribery Training Program for Fiscal Year 2023

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)**SOCIAL SUSTAINABILITY (Cont'd)****Community Investment****Strengthening Ties with Local Communities**

We firmly advocate for the belief that cultivating a positive interaction between businesses and communities is instrumental in promoting social inclusion and fostering favorable long-term outcomes. At Tong Herr, our unwavering commitment to being a responsible corporate citizen is exemplified through our dedication to giving back to the communities where we operate. Our programs for community engagement and impact are strategically directed towards education and social welfare, with the overarching goal of nurturing local talent and empowering individuals to realize their fullest potential. Through substantial investments in education, we contribute to the development of a high-quality talent pool that not only benefits Tong Herr but also contributes to the growth of future organizations. Additionally, our initiatives focused on social welfare fortify our ties with local communities, leaving a positive imprint on their well-being.

Building a Resilient Relationship

Our strategy for community investment at Tong Herr is founded on a commitment to creating lasting positive impacts in the areas where we operate. Recognizing the interconnectedness of businesses and communities, we prioritize initiatives that contribute to social well-being, economic development, and environmental sustainability. Our community investment programs are strategically designed to address local needs and foster collaboration between Tong Herr and the communities we serve. Key pillars of our approach include education, social welfare, and environmental stewardship. By investing in these areas, we aim to build a stronger, more resilient relationship with the community, creating a shared path toward prosperity and sustainable development.

Our Contributions

Key highlights of Tong Herr contributions for year 2023 are as follows:

- a. Empowering Education: supporting the relocation of SJK(C) Kuang Yu Kuala Muda with RM30,000 for building of new campus located at Batu Kawan.

Community Investment Performance Data

(GRI 201-1)

	2021 RM'000	2022 RM'000	2023 RM'000
Total amount invested where the target beneficiaries are external to Tong Herr	RM 91	RM 10	RM 30
Total number of beneficiaries of the investment in communities	2	2	1
Number of employees participated in community impact programmes	N/A	N/A	N/A
Total hours spent on community impact programmes	N/A	N/A	N/A

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Performance Data Table

The following table presents the performance data for Tong Herr Resources Berhad for the fiscal year 2023, as per the Bursa Malaysia indicator.

Indicator	Measurement Unit	2023
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	11.10
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Management	Percentage	100.00
Executive	Percentage	100.00
Non-executive/Technical Staff	Percentage	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	14,944,182.00
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	281,289.850000
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management Under 30	Percentage	0
Management Between 30-50	Percentage	46
Management Above 50	Percentage	54
Executive Under 30	Percentage	23
Executive Between 30-50	Percentage	53
Executive Above 50	Percentage	24
Non-executive/Technical Staff Under 30	Percentage	43
Non-executive/Technical Staff Between 30-50	Percentage	48
Non-executive/Technical Staff Above 50	Percentage	9

SUSTAINABILITY STATEMENT

MANAGEMENT APPROACH FOR MATERIAL MATTERS (Cont'd)

SOCIAL SUSTAINABILITY (Cont'd)

Performance Data Table (Cont'd)

Indicator	Measurement Unit	2023
Bursa (Diversity) (Cont'd)		
Gender Group by Employee Category		
Management Male	Percentage	74
Management Female	Percentage	26
Executive Male	Percentage	61
Executive Female	Percentage	39
Non-executive/Technical Staff Male	Percentage	82
Non-executive/Technical Staff Female	Percentage	18
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	56.00
Female	Percentage	44.00
Under 30	Percentage	0.00
Between 30-50	Percentage	44.00
Above 50	Percentage	56.00
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	40.13
Bursa C5(c) Number of employees trained on health and safety standards	Number	561
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Management	Hours	184
Executive	Hours	596
Non-executive/Technical Staff	Hours	3,237
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.00
Bursa C6(c) Total number of employee turnover by employee category		
Management	Number	0
Executive	Number	3
Non-executive/Technical Staff	Number	154
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	30,000.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	1

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present its Statement on Risk Management and Internal Control of the Group for the financial year 31 December 2023, which has been prepared pursuant to Paragraph 15.26(b) of MMLR, Principle B of the MCCG, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This statement outlines the nature and state of risk management and internal controls of the Group during the FY 2023.

Board Responsibility

In order to safeguard the shareholders' investments and the Group's assets, the Board of Directors has overall responsibility for maintaining a sound risk management and internal control framework for good corporate governance that is able to ensure the achievement of not only financial controls but also operational, organizational, regulatory and compliance controls.

However, the framework in place is designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses.

Risk Management Framework

The Board has established an ongoing process for identifying, measuring, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment or regulatory guidelines. In order to align with the dynamic changes in the business environment, the system of risk management and internal control instituted throughout the Group is reviewed and updated on a periodic basis to ensure its continued effectiveness adequacy and integrity. This process has been in place throughout the year under review and carried out in the following perspective:-

Board of Directors

The Board is fully responsible in determining the Group's risk appetite and level of risk exposure. In its regular Board Meetings, significant risk and material issues are brought to the attention of Directors which require decision to be made. To safeguard shareholders' interest and the Group's assets, the Board ensure that business risks are identified, assessed and managed, in the Group's strategic planning and decision making process.

Audit Committee

The Audit Committee ("AC") is assisted by an in-house Internal Auditor ("IA") who performs regular independent review, monitor and ensure compliance with the Group's policies, procedures and systems of risk management and internal control. The AC, on every AC Meeting, review internal audit reports for the Group prepared by the IA. It will consider major findings of the internal auditors and management response thereto. Monitoring on the corrective actions of any outstanding audit issues are ongoing to ensure that all the risks and control lapses have been addressed.

Operating Business Units

Standard operating policies and procedures (SOPP) were formalized to guide the operations of the Group's operating business units. It documents how transactions are captured and where internal controls are applied. In addition, as part of the performance monitoring process, quarterly management accounts and monthly management reports are submitted to the Head Office Finance Department for review and onward presentation to the Board for review and approval.

Internal Audit Function

The Group has established an in-house Internal Audit Function where the Internal Audit Personnel reports independently to the Audit Committee. The Audit Committee is responsible to review and approve the internal audit plan on an annual basis. The internal audit plan is designed to evaluate, assess and identify the missing controls and areas that need efficient enhancement. The cost incurred in maintaining the internal audit function in respect of the financial year was RM42,000.

The Internal Audit Personnel will carry out independent review on internal controls and activities within the Group. During the financial year ended 31 December 2023, the Internal Audit Personnel has not reported any significant control weaknesses which may result in any material losses, uncertainties or contingencies that would require disclosure in the Group's annual report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

The key elements of the Group's internal control system are described below:

- i. Segregation of duties between the Board and management. The Independent Directors reviews the financial statements reported to the Board by the Executive Directors and Financial Controller;
- ii. Board discussions on financial and operational issues with management during board meetings as well as the measures taken by management to mitigate organisational risks;
- iii. The quality management systems possessed by the subsidiaries and their continual compliance with these respective certification bodies' requirements;
- iv. Potential financial risk exposure resulting from fire, perils, money, burglary, trade credit, product liability and public liability are insured to minimize Group's financial exposures and losses;
- v. Implementation of physical security controls such as CCTVs, security guards at the strategic locations like, production area, office, fencing and gate;
- vi. Allows, supports and encourages employees and third parties to report and raise genuine concerns about possible improprieties in matters of financial reporting, compliance, malpractices and unethical business conduct within the Group at the earliest opportunity and in an appropriate way by establishing a Whistle Blowing Policy; and
- vii. Established the Anti-Bribery and Anti-Corruption Policy to provide information and guidance to the Directors and Employees of the Company on standards of behaviour to which they must adhere to and how to deal with bribery and corruption issues, as well as set out the responsibilities to comply with the law.

Other Risk and Control Process

In addition to the above, the Group also has in place the following key elements:

- Well-defined hierarchical structure which indicated areas of responsibilities, scope of authority and segregation of duties.
- The Audit Committee reviews the financial results on the quarterly basis to monitor the performance of the Group. Any material variances encountered by the Internal Audit Personnel will be reported to the Board.
- Formal employee appraisal system, which enables appraisal of employees and rewarding employees, based on performance and attendance.
- The Group continues to review and update the Standard Operating Procedures for key processes for all Departments to govern the daily operations. This is being continuously monitored and reviewed to ensure effective management of the Group's operations.

The Board is responsible for maintaining a good internal control system and recognises that the system must keep growing to support the Group's operations. As a result, the Board and management will continue to take steps to improve the internal control environment in order to protect shareholders' capital and the Group's assets.

Based on the risk management and internal control system implemented, the Board has obtained assurance from the Group Managing Director that the Company's risk management and internal control system is working appropriately and effectively in all material aspects.

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the year ended 31 December 2023 pursuant to Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and Practices 9.1 and 9.2 of the MCCG to be set out, nor is factually inaccurate.

This statement was made in accordance with the Board of Directors' resolution dated 5 April 2024.

AUDIT COMMITTEE REPORT

1. Establishment

The Audit Committee was established on 20 July 1999.

2. Members

The Company has fulfilled the requirements of Paragraph 15.09 of the MMLR and the Principles and Practices recommended by MCCG 2021 with regard to the composition of the Audit Committee. The members of the Committee during the financial year were as follows:

Name	Designation
Datin Nik Haslinda Binti Nik Mohd Hashim (Independent Non-Executive Director)	Chairman of the Committee
Soon Gim Wooi (Independent Non-Executive Director)	Member of the Committee
Rohaiza Binti Mohamed Basir (Independent Non-Executive Director)	Member of the Committee

3. Terms of Reference ("TOR")

The Audit Committee's TOR can be viewed from our website at www.tong.com.my.

4. Meetings

The Audit Committee met on four (4) occasions during year 2023 and the meeting attendance record of each Director was as follows:

Name	No. of Meetings Attended
Datuk Megat Abdul Munir Bin Megat Abdullah Rafaie *	2/4
Teh Eng Hin *	2/4
Fazrin Azwar Bin Dato' Hj. Md. Nor*	2/4
Datin Nik Haslinda Binti Nik Mohd Hashim#	2/4
Soon Gim Wooi#	2/4
Rohaiza Binti Mohamed Basir#	2/4

* Resigned w.e.f. 22 May 2023

Appointed w.e.f. 22 May 2023

The Finance Manager, Internal Audit Personnel and representative of the External Auditors were invited to attend the meetings (where applicable). The External Auditors may request with the Chairman of the Audit Committee to convene a meeting if they consider it necessary.

5. Authority

Certain responsibilities are delegated to Board Committees through clearly defined TOR. It shall have full and unrestricted access to any information pertaining to the Company or the Group.

The Committee shall have direct communication channels with both the External Auditors and Internal Audit Personnel. The Committee shall also have the right to seek outside legal or other independent professional advice and to convene meetings with the External Auditors, the Internal Audit Personnel or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

AUDIT COMMITTEE REPORT

6. Summary of Work of the Audit Committee

The meetings held during the financial year were mainly to deliberate on the following issues:

- a) Reviewed quarterly results and annual financial reports.
- b) Reviewed the External Auditors' scope of work and audit plan for the Group.
- c) Reviewed the reports of External Auditors pertaining to accounts and internal control status.
- d) Discussed and reviewed the extent of compliance to the MMLR, the MCCG 2021 and updates on new developments of accounting standards issued by the Malaysian Accounting Standards Board.
- e) Reviewed the Internal Audit Personnel's scope of work, internal audit plan, programs and reports.
- f) Reviewed on a quarterly basis the relevant Recurrent Related Party Transactions and Related Party Transactions (if any).
- g) Recommend to the Board for the re-appointment of External Auditors after assessing the suitability, objectivity and independence of the External Auditors and considering the information presented in their Annual Transparency Report.

7. Internal Audit Function

The Group has established an In-house Internal Audit Function since 21 February 2002 to assist the Audit Committee in the discharge of its duties and responsibilities. The Internal Audit Personnel is consist of a staff who has a Bachelor of Accountancy and free from any relationship and conflict of interest which could impair her objectivity and independence. She is assisting the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives in accordance with a recognize framework. Internal audit function is carried out to assess the adequacy and integrity of the internal control system of the Group based on the internal audit plan reviewed and approved by the Audit Committee. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

8. Summary of Work of the Internal Audit Function

The summary of work that was carried out for the year under review were as follows:

- a) Prepared the audit plan that focused on high risk areas.
- b) Performed internal audit reviews in accordance with the approved audit plan.
- c) Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to management for further action.
- d) Attended Audit Committee's meetings to table and discuss the audit reports and follow-up on the matters raised.
- e) Followed-up on the implementation of corrective action plans or best practices agreed with the Management.
- f) Reviewed the appropriateness of the disclosure statements with regard to compliance with the MCCG 2021 and the statement of internal controls.
- g) Performing any other relevant duties assigned by the Board of Directors.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the MMLR.

UTILISATION OF PROCEEDS

No proceeds from corporate proposal were raised by the Company during the financial year ended 31 December 2023.

MATERIAL CONTRACT

There were no material contracts entered into by the Group which involved Directors and/or major shareholders interests during the financial year ended 31 December 2023.

CONTRACT RELATING TO LOAN

There were no material contracts relating to loans entered into by the Company and its subsidiaries that involved the Directors and Major Shareholders.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/payable to the external auditors and the firm affiliated to the external auditors by the Group and the Company for the financial year ended 31 December 2023 were as follows:-

	Group (RM)	Company (RM)
Audit Services Rendered	141,000	50,000
Non Audit Services Rendered	41,000	7,000

EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented during the financial year ended 31 December 2023.

RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE

Details of the Recurrent Related Party Transaction (RRPT) of revenue or trading nature entered into pursuant to the shareholders' mandate obtained at the 26th Annual General Meeting of the Company held on 22 May 2023 to 29 March 2024, which represents the latest practicable date prior to the printing of the RRPT Circular, were as follows:

(a) Proposed Renewal of Existing Shareholders' Mandate

Transacting parties	Companies within the Group	Nature of transaction	Interested Related Parties	Amount of Transactions (RM)
Tongming Enterprise Co. Ltd (TME)	THF	Purchase of goods		-
Winlink Fasteners Co Ltd (WFC)	THF	Purchase of goods	Tsai, Ching-Tung ^(d) Tsai, Hung-Chuan ^(a) Tsai, Jane-Rong ^(h) Tsai Chia-Yen ^(g) Tsai Ming Ti ^(c)	2,517,656
Tong Win International Co. Ltd (TWI)	THF	Sales of goods	Tsai Liao Chin Yeh ^(e) Tsai Yi Ting ^(b) Tsai Pei Chen ^(f)	4,429,178
WFC	THFT	Purchase of goods	Allrich Corp (Allrich) ⁽ⁱ⁾ Richard Holdings Limited (RHL) ⁽ⁱ⁾	1,881,149
TWI	THFT	Sales of goods		47,233,486
TME	THFT	Purchase of goods		495,440

ADDITIONAL COMPLIANCE INFORMATION

EMPLOYEE SHARE SCHEME (Cont'd)

(b) Proposed New Shareholders' Mandate

Nature of transaction	Company in THR	Mandated Related Parties	Interested Related Parties	2024 Proposed Mandate
	Group			Estimated value of transactions from the forthcoming 27th AGM to the next AGM * (RM)
Provision of consultation services (4) by TLE to THF	THF	TLE	Tsai, Ching-Tung ^(d) Tsai, Hung-Chuan ^(a) Tsai, Chia-Yen ^(g) Tsai, Jane-Rong ^(h) Tsai Ming Ti ^(c)	300,000
Sales of goods (3) by THF to TLE	THF	TLE	Tsai Liao Chin Yeh ^(e) Tsai Yi Ting ^(b) Tsai Pei Chen ^(f)	1,000,000
Provision of consultation services (4) by TLE to THFT	THFT	TLE	Allrich ⁽ⁱ⁾ RHL ⁽ⁱ⁾	300,000
Sales of goods (3) by THFT to TLE	THF	TLE		1,000,000

Notes:

- (a) Tsai, Hung-Chuan is a major shareholder of THR by virtue of his interest in Allrich. He is the Director of THR, THF and Mandated Related Parties. He is the son of Tsai Ching-Tung, a Director of TME.
- (b) Tsai Yi Ting is the Managing Director of THR and a Major Shareholder of THR by virtue of his interest in RHL. He is also a major shareholder of TMEC, the holding company of Mandated Related Parties. He is a Director of WFC, the subsidiary of TMEC. He is the son of Tsai Ming Ti and Tsai Liao Chin Yeh, and brother of Tsai Pei Chen.
- (c) Tsai Ming Ti is a Director of THR and Major Shareholder of THR by virtue of his interest in RHL. He has direct interest of 9.51% in TMEC, the holding company of Mandated Related Parties and a Director of TME. He is the brother of Tsai, Ching-Tung.
- (d) Tsai Ching-Tung is a Director of TME. He is also the brother of Tsai Ming Ti.
- (e) Tsai Liao Chin Yeh is the spouse of Tsai Ming Ti.
- (f) Tsai Pei Chen is a Director and Major Shareholder of THR by virtue of her interest in RHL. She is the daughter of Tsai Ming Ti and Tsai Liao Chin Yeh, and sister of Tsai Yi Ting.
- (g) Tsai, Chia-Yen is a Director and sister of Tsai, Hung-Chuan. She is also a Director of TLE, a subsidiary of TMEC.
- (h) Major Shareholder of THR Group by virtue of her interest in Allrich, a Major Shareholder of THR, and also sister of Tsai, Hung-Chuan and Tsai, Chia-Yen.
- (i) Allrich and RHL are the Major Shareholders of THR.

The Company intends to seek shareholders' approval on the Proposed Renewal of Existing Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transaction of Revenue or Trading Nature to be tabled at this Annual General Meeting.

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2023. All values shown in this report are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
- Owners of the Company	6,422	37,241
- Non-controlling interests	<u>3,366</u>	<u>0</u>
	<u>9,788</u>	<u>37,241</u>

Dividends

During the financial year, the Company paid a final single tier dividend of 20 sen per share amounting to RM30,704,000 in respect of the financial year ended 31 December 2022.

A final single tier dividend of 7.5 sen per share in respect of the financial year ended 31 December 2023 will be proposed for shareholders' approval at the forthcoming annual general meeting.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares or debentures

The Company did not issue any shares or debentures during the financial year.

Share options

The Company did not grant any share options during the financial year.

Bad and doubtful debts

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

DIRECTORS' REPORT

Contingent and other liabilities

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

Change of circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

Directors

The directors in office since the beginning of the financial year are:

Directors of the Company

Tsai Ming Ti	
Tsai, Hung-Chuan	
Tsai Yi Ting	
Tsai Pei Chen	
Tsai, Chia-Yen	
Tan Ban Leong	
Fazrin Azwar Bin Dato' Hj. Md. Nor	(Resigned on 22.5.2023)
Datuk Megat Abdul Munir Bin Megat Abdullah Rafaie	(Resigned on 22.5.2023)
Teh Eng Hin	(Resigned on 22.5.2023)
Datin Nik Haslinda Binti Nik Mohd Hashim	(Appointed on 22.5.2023)
Rohaiza Binti Mohamed Basir	(Appointed on 22.5.2023)
Soon Gim Wooi	(Appointed on 22.5.2023)

Directors of subsidiaries (other than directors of the Company)

Tsai, Ching-Tung
Lu, Yeo-Lee
Lee Chen-Chao
Wu Kuo-G
Siek Hian Hock



TONG HERR RESOURCES BERHAD

DIRECTORS' REPORT

Directors' interests

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:

Name of director	Number of ordinary shares					
	Direct interest			Deemed interest		
	Balance at 1.1.2023	Bought	Sold	Balance at 31.12.2023	Balance at 1.1.2023	Balance at 31.12.2023
Tsai Ming Ti	2,020,402	0	0	2,020,402	50,178,357	50,178,357
Tsai, Hung-Chuan	0	0	0	0	61,191,043	61,191,043
Tsai Yi Ting	198,000	0	0	198,000	49,044,307	49,044,307
Tsai Pei Chen	731,100	0	0	731,100	49,044,307	49,044,307
Tsai, Chia-Yen	0	0	0	0	61,191,043	61,191,043
Tan Ban Leong	45,000	0	0	45,000	0	0

By virtue of their interests in shares in the Company, Tsai Ming Ti, Tsai, Hung-Chuan, Tsai Yi Ting, Tsai Pei Chen and Tsai, Chia-Yen are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 28 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance for directors and officers

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 22 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 5 April 2024

Tsai Yi Ting

Tan Ban Leong

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 85 to 124 give a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 5 April 2024

Tsai Yi Ting

Tan Ban Leong

STATUTORY DECLARATION

I, Khoo Su Jun (MIA membership no.: 48026), being the officer primarily responsible for the financial management of Tong Herr Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 85 to 124 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Khoo Su Jun at George Town
in the State of Penang on this 5 April 2024

Khoo Su Jun
Financial Controller

Before me

Shamini A/P M Shanmugam
No. P157
Commissioner for Oaths



TONG HERR RESOURCES BERHAD

INDEPENDENT AUDITORS' REPORT

to the members of Tong Herr Resources Berhad

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tong Herr Resources Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 85 to 124.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2023, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

to the members of Tong Herr Resources Berhad

Report on the audit of the financial statements (Cont'd)

Responsibilities of the directors for the financial statements (Cont'd)

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



TONG HERR RESOURCES BERHAD

INDEPENDENT AUDITORS' REPORT

to the members of Tong Herr Resources Berhad

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that we have not acted as auditors of a subsidiary, Tong Heer Fasteners (Thailand) Co., Ltd.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT

201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Date: 5 April 2024

Penang

Chan Kheng Hoe

02979/03/2026 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	2023 RM'000	2022 RM'000
Non-current assets			
Property, plant and equipment	4	128,564	124,325
Right-of-use assets	5	16,915	17,708
Other investment	7	2,788	3,863
Deferred tax assets	8	318	290
		148,585	146,186
Current assets			
Inventories	9	335,317	386,581
Receivables	10	48,471	45,517
Prepayments		3,557	4,490
Current tax assets		1,024	20
Cash and cash equivalents	11	127,732	118,127
		516,101	554,735
Current liabilities			
Payables	12	28,586	27,595
Loans and borrowings	13	19,807	39,744
Lease liabilities	14	129	218
Derivatives	15	230	233
Contract liabilities	16	851	1,898
Current tax liabilities		480	8,262
		50,083	77,950
Net current assets		466,018	476,785
Non-current liabilities			
Deferred tax liabilities	8	4,184	4,569
Lease liabilities	14	53	183
Retirement benefits	17	1,363	1,120
		5,600	5,872
Net assets		609,003	617,099
Equity			
Share capital	18	185,930	185,930
Treasury shares	18	(8,190)	(8,190)
Statutory reserve		10,129	10,129
Currency translation reserve		47,710	32,340
Retained profits		318,652	342,934
Equity attributable to owners of the Company		554,231	563,143
Non-controlling interests	19	54,772	53,956
Total equity		609,003	617,099

The annexed notes form an integral part of these financial statements.



TONG HERR RESOURCES BERHAD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Revenue	20	598,033	988,585
Cost of goods sold		(566,370)	(828,306)
Gross profit		31,663	160,279
Other income		10,690	4,569
Distribution costs		(10,837)	(28,386)
Administrative and general expenses		(14,832)	(21,025)
Finance costs		(1,097)	(3,060)
Impairment (losses)/gains on financial assets	21	(81)	10
Profit before tax	22	15,506	112,387
Tax expense	24	(5,718)	(24,980)
Profit for the financial year		9,788	87,407
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
- Remeasurement of defined benefit liability		0	52
- Deferred tax effect thereof		0	(10)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
- Currency translation differences for foreign operation		15,370	5,320
Total other comprehensive income for the financial year		15,370	5,362
Comprehensive income for the financial year		25,158	92,769
Profit for the financial year attributable to:			
- Owners of the Company		6,422	82,537
- Non-controlling interests	19	3,366	4,870
		9,788	87,407
Comprehensive income for the financial year attributable to:			
- Owners of the Company		21,792	87,899
- Non-controlling interests		3,366	4,870
		25,158	92,769
Earnings per share:	25		
- Basic (sen)		4.18	53.76
- Diluted (sen)		4.18	53.76

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2023

	Non-distributable			Distributable			Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Statutory reserve* RM'000	Currency translation reserve RM'000	Retained profits RM'000	RM'000			
Balance at 1 January 2022	185,930	(8,190)	10,129	27,020	283,384	498,273	51,776	550,049	
Dividend to owners of the Company (Note 26)	0	0	0	0	(23,029)	(23,029)	0	(23,029)	
Dividends to non-controlling interests	0	0	0	0	0	0	(2,690)	(2,690)	
Total transactions with owners	0	0	0	0	(23,029)	(23,029)	(2,690)	(25,719)	
Remeasurement of defined benefit liability	0	0	0	0	52	52	0	52	
Deferred tax effect thereof	0	0	0	0	(10)	(10)	0	(10)	
Currency translation differences for foreign operation	0	0	0	5,320	0	5,320	0	5,320	
Total other comprehensive income for the financial year	0	0	0	5,320	42	5,362	0	5,362	
Profit for the financial year	0	0	0	0	82,537	82,537	4,870	87,407	
Comprehensive income for the financial year	0	0	0	5,320	82,579	87,899	4,870	92,769	
Balance at 31 December 2022	185,930	(8,190)	10,129	32,340	342,934	563,143	53,956	617,099	
Dividend to owners of the Company (Note 26)	0	0	0	0	(30,704)	(30,704)	0	(30,704)	
Dividends to non-controlling interests	0	0	0	0	0	0	(2,550)	(2,550)	
Total transactions with owners	0	0	0	0	(30,704)	(30,704)	(2,550)	(33,254)	
Profit for the financial year	0	0	0	0	6,422	6,422	3,366	9,788	
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	15,370	0	15,370	0	15,370	
Comprehensive income for the financial year	0	0	0	15,370	6,422	21,792	3,366	25,158	
Balance at 31 December 2023	185,930	(8,190)	10,129	47,710	318,652	554,231	54,772	609,003	

* This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of Thailand.

The annexed notes form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Cash flows from operating activities			
Profit before tax		15,506	112,387
Adjustments for:			
Depreciation		14,279	16,566
Fair value gains on financial instruments		(1,150)	(1,183)
Gain on disposal of property, plant and equipment		0	(117)
Impairment losses/(gains) on financial assets		81	(10)
Interest expense		1,097	3,060
Interest income		(888)	(183)
Inventories written down		1,100	749
Property, plant and equipment written off		11	29
Provision for retirement benefits		180	143
Reversal of inventories written down		(297)	(305)
Unrealised loss on foreign exchange		1,034	609
Operating profit before working capital changes		30,953	131,745
Changes in:			
Inventories		50,461	54,203
Receivables		(3,634)	27,846
Prepayments		933	14,755
Payables		1,074	(12,233)
Derivatives		(233)	336
Contract liabilities		(1,047)	(2,675)
Cash generated from operations		78,507	213,977
Tax paid		(16,057)	(25,027)
Tax refunded		1,436	0
Net cash from operating activities		63,886	188,950
Cash flows from investing activities			
Acquisition of property, plant and equipment		(12,842)	(5,461)
Acquisition of right-of-use assets	27	0	(2)
Interest and fund distributions received		3,065	2,751
Proceeds from disposal of property, plant and equipment		0	181
Net cash used in investing activities		(9,777)	(2,531)
Cash flows from financing activities			
Dividend paid to owners of the Company		(30,704)	(23,029)
Dividends paid to non-controlling interests		(2,550)	(2,690)
Interest paid		(1,101)	(3,008)
Net decrease in short-term loans and borrowings	27	(19,720)	(166,174)
Payment of lease liabilities	27	(219)	(294)
Repayment of term loans	27	0	(9,785)
Net cash used in financing activities		(54,294)	(204,980)
Currency translation differences		9,790	3,268
Net increase/(decrease) in cash and cash equivalents		9,605	(15,293)
Cash and cash equivalents brought forward		118,127	133,420
Cash and cash equivalents carried forward		127,732	118,127

The annexed notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	2023 RM'000	2022 RM'000
Non-current assets			
Investments in subsidiaries	6	190,233	190,233
Current assets			
Receivables	10	2	2
Current tax assets		22	21
Cash and cash equivalents	11	7,118	550
		7,142	573
Current liabilities			
Payables	12	180	148
		180	148
Net current assets		6,962	425
Net assets		197,195	190,658
Equity			
Share capital	18	185,930	185,930
Treasury shares	18	(8,190)	(8,190)
Retained profits		19,455	12,918
Total equity		197,195	190,658

The annexed notes form an integral part of these financial statements.



TONG HERR RESOURCES BERHAD

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Dividend income		39,084	16,227
Other income		96	60
Administrative and general expenses		(482)	(254)
Profit before tax	22	38,698	16,033
Tax expense	24	(1,457)	(5)
Profit for the financial year		37,241	16,028
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		37,241	16,028

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2023

	Share capital RM'000	Treasury shares RM'000	Retained profits RM'000	Total equity RM'000
Balance at 1 January 2022	185,930	(8,190)	19,919	197,659
Dividend (representing total transactions with owners) (Note 26)	0	0	(23,029)	(23,029)
Profit (representing comprehensive income) for the financial year	<u>0</u>	<u>0</u>	<u>16,028</u>	<u>16,028</u>
Balance at 31 December 2022	185,930	(8,190)	12,918	190,658
Dividend (representing total transactions with owners) (Note 26)	0	0	(30,704)	(30,704)
Profit (representing comprehensive income) for the financial year	<u>0</u>	<u>0</u>	<u>37,241</u>	<u>37,241</u>
Balance at 31 December 2023	<u>185,930</u>	<u>(8,190)</u>	<u>19,455</u>	<u>197,195</u>

The annexed notes form an integral part of these financial statements.



TONG HERR RESOURCES BERHAD

STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2023

	2023 RM'000	2022 RM'000
Cash flows from operating activities		
Profit before tax	38,698	16,033
Adjustments for:		
Dividend income	(39,084)	(16,227)
Fair value gains on financial instruments	(89)	(60)
Interest income	(7)	0
Operating loss before working capital changes	(482)	(254)
Change in payables	32	0
Cash absorbed by operations	(450)	(254)
Tax paid	(1)	(2)
Tax refunded	34	0
Net cash used in operating activities	(417)	(256)
Cash flows from investing activities		
Dividends received	37,613	16,227
Interest and fund distributions received	76	57
Net cash from investing activities	37,689	16,284
Cash flows from financing activity		
Dividend paid	(30,704)	(23,029)
Net cash used in financing activity	(30,704)	(23,029)
Net increase/(decrease) in cash and cash equivalents	6,568	(7,001)
Cash and cash equivalents brought forward	550	7,551
Cash and cash equivalents carried forward	7,118	550

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. General information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 George Town, Penang, Malaysia and its principal place of business is located at 2515, Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang, Malaysia.

The consolidated financial statements set out on pages 85 to 88 together with the notes thereto cover the Company and its subsidiaries ("Group"). The separate financial statements of the Company set out on pages 89 to 92 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

The financial statements were authorised for issue in accordance with a resolution of the directors dated 5 April 2024.

2. Material accounting policy information

2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the material accounting policy information, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:

MFRS	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform - Pillar Two Model Rules</i>	1 January 2023

The initial application of the above MFRSs did not have any significant impacts on the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)**2.1 Basis of preparation of financial statements** (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets acquired are not a business, the transaction or other event is accounted for as an asset acquisition.

Business combinations are accounted for using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:

- (a) the aggregate of:
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)

2.3 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Freehold land and capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:

Buildings	2% - 5%
Plant and machinery, tools and electrical installation	10% - 25%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	12.5% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Initial recognition and measurement

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)**2.5 Leases (cont'd)****Subsequent measurement**

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.7.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

2.6 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

2.7 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets and inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

2.8 Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.9 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.10. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)

2.10 Financial assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables, derivatives and cash and cash equivalents.

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.15). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables, cash and bank balances and term deposits are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All investments in equity instruments, derivatives and short-term funds are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 Financial Instruments. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)**2.10 Financial assets** (cont'd)**Impairment** (cont'd)

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2.11 Financial liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings, derivatives and financial guarantee contracts.

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Derivatives are subsequently measured at fair value through profit or loss. Any gain or loss is recognised in profit or loss.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.12 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)

2.12 Foreign currency transactions and translation (cont'd)

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends or cancelled, the cost of the shares distributed or cancelled is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, any excess of sale consideration over the cost of the shares resold is adjusted to share capital, whereas any deficit is applied in the reduction of distributable reserves.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.14 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)

2.14 Fair value measurement(cont'd)

Financial assets and financial liabilities

The carrying amounts of receivables, cash and bank balances, term deposits, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values.

The fair values of unquoted investments that are not making an adequate return on assets or are making only marginal levels of profits are measured using the adjusted net asset method which involves deriving the fair values of the investees' equity instruments by reference to the fair values of their assets and liabilities (i.e. Level 3).

The fair values of derivatives and short-term funds are directly measured using their unadjusted market values quoted by financial institutions (i.e. Level 1).

2.15 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

2.16 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income for financial assets measured at amortised cost is recognised in profit or loss using the effective interest method. Interest or fund distribution income for financial assets measured at fair value through profit or loss is included in their net fair value gains or losses.

2.17 Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

2. Material accounting policy information (cont'd)

2.17 Employee benefits (cont'd)

Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Defined benefit plans

As required by law, the Group's foreign subsidiary operates an unfunded final salary defined benefit plan for its employees. The liability in respect of the defined benefit plan is the present value of the future benefits that employees have earned in return for their services rendered in the current and prior periods. The calculation is performed using the projected unit credit method, with actuarial valuations being carried out with sufficient regularity at an interval of not more than three years such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. All components of defined benefit costs are recognised in profit or loss in the period in which they are incurred, except for remeasurement of the defined benefit liability which is recognised in other comprehensive income.

2.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable results and does not give rise to equal taxable and deductible temporary differences.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.



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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 9).

Impairment of receivables

The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Property, plant and equipment

Group

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery, tools and electrical installation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Balance at 1 January 2022	28,708	84,711	240,620	8,423	7,251	4,150	373,863
Additions	0	50	3,131	184	829	1,267	5,461
Disposals/Write-offs	0	0	(1,623)	(231)	(802)	0	(2,656)
Reclassifications	0	0	896	0	0	(896)	0
Currency translation differences	580	893	2,159	52	54	84	3,822
Balance at 31 December 2022	29,288	85,654	245,183	8,428	7,332	4,605	380,490
Additions	0	0	522	293	0	12,027	12,842
Disposals/Write-offs	0	0	(3,333)	0	0	0	(3,333)
Reclassifications	0	0	0	302	0	(302)	0
Currency translation differences	1,637	2,519	6,122	150	151	338	10,917
Balance at 31 December 2023	30,925	88,173	248,494	9,173	7,483	16,668	400,916
Accumulated depreciation							
Balance at 1 January 2022	0	41,841	186,437	6,758	5,988	0	241,024
Depreciation	0	3,387	11,412	513	393	0	15,705
Disposals/Write-offs	0	0	(1,595)	(231)	(737)	0	(2,563)
Currency translation differences	0	413	1,496	45	45	0	1,999
Balance at 31 December 2022	0	45,641	197,750	7,085	5,689	0	256,165
Depreciation	0	3,484	9,111	546	345	0	13,486
Disposals/Write-offs	0	0	(3,322)	0	0	0	(3,322)
Currency translation differences	0	1,263	4,500	133	127	0	6,023
Balance at 31 December 2023	0	50,388	208,039	7,764	6,161	0	272,352

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Property, plant and equipment (cont'd)

Group (cont'd)

	Freehold land RM'000	Buildings RM'000	Plant and machinery, tools and electrical installation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
Carrying amount							
Balance at 1 January 2022	28,708	42,870	54,183	1,665	1,263	4,150	132,839
Balance at 31 December 2022	29,288	40,013	47,433	1,343	1,643	4,605	124,325
Balance at 31 December 2023	30,925	37,785	40,455	1,409	1,322	16,668	128,564

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

5. Right-of-use assets

Group

	Leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Balance at 1 January 2022	17,892	298	252	18,442
Additions	0	0	127	127
Depreciation	(568)	(99)	(194)	(861)
Balance at 31 December 2022	17,324	199	185	17,708
Depreciation	(584)	(100)	(109)	(793)
Balance at 31 December 2023	16,740	99	76	16,915

The Group acquired the rights to use the leasehold land as its principal places of business for 43 to 896 years. It also leases the building and motor vehicles for business operations for 3 to 5 years.

6. Investments in subsidiaries

Company

	2023 RM'000	2022 RM'000
Unquoted shares - at cost	190,233	190,233

The details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Effective ownership interest		Principal activity
		2023	2022	
Tong Heer Fasteners Co. Sdn. Bhd.	Malaysia	100.00%	100.00%	Manufacture and sale of stainless steel fasteners including nuts, bolts, screws and all other threaded items
Tong Heer Fasteners (Thailand) Co., Ltd.	Thailand	99.99%	99.99%	Manufacture and sale of stainless steel fasteners including bolts, screws and all other threaded items
Tong Heer Aluminium Industries Sdn. Bhd. ("THAI")	Malaysia	51.00%	51.00%	Extrusion and fabrication of aluminium products
<u>Subsidiaries of THAI</u>				
Acme Aluminium Sdn. Bhd.	Malaysia	40.80%	40.80%	Trading of aluminium extrusion products and parts
Hwang Shin Industrial (M) Sdn. Bhd.	Malaysia	51.00%	51.00%	Investment holding



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7. Other investment**Group**

	2023 RM'000	2022 RM'000
Unquoted shares - at fair value	<u>2,788</u>	<u>3,863</u>

The fair value of unquoted investment was measured using the adjusted net asset method which involved deriving the fair value of the investee's equity instruments by reference to the fair values of its assets and liabilities (i.e. Level 3).

8. Deferred tax assets and deferred tax liabilities**Group**

	2023 RM'000	2022 RM'000
Balance at 1 January	(4,279)	(4,373)
Deferred tax income relating to origination and reversal of temporary differences	323	223
Deferred tax liabilities over/(under) provided in prior year	72	(134)
Currency translation differences	<u>18</u>	<u>5</u>
Balance at 31 December	<u>(3,866)</u>	<u>(4,279)</u>
Disclosed as:		
- Deferred tax assets	318	290
- Deferred tax liabilities	<u>(4,184)</u>	<u>(4,569)</u>
	<u>(3,866)</u>	<u>(4,279)</u>
In respect of (taxable)/deductible temporary differences of:		
- Property, plant and equipment	(3,301)	(3,647)
- Right-of-use assets	(1,381)	(1,480)
- Inventories	348	321
- Financial instruments	151	207
- Lease liabilities	44	96
- Retirement benefits	<u>273</u>	<u>224</u>
	<u>(3,866)</u>	<u>(4,279)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023

9. Inventories

Group

	2023 RM'000	2022 RM'000
Raw materials	136,054	120,719
Work-in-progress	56,227	64,885
Finished goods	99,770	147,868
Consumables	30,845	32,967
Goods-in-transit	12,421	20,142
	<u>335,317</u>	<u>386,581</u>

10. Receivables

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade receivables:				
- Related parties*	1,964	386	0	0
- Unrelated parties	45,494	43,909	0	0
	47,458	44,295	0	0
- Loss allowance	(385)	(357)	0	0
	47,073	43,938	0	0
Other receivables	1,398	1,579	2	2
	<u>48,471</u>	<u>45,517</u>	<u>2</u>	<u>2</u>

* Being corporations in which certain directors of the Company and their close family members have substantial financial interests

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2023, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. The credit risk concentration profile by geographical areas of trade receivables is as follows:

	Group	
	2023 RM'000	2022 RM'000
Malaysia	18,524	19,889
United States of America	14,324	12,356
Others	14,610	12,050
	<u>47,458</u>	<u>44,295</u>



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

10. Receivables (Cont'd)

Trade receivables (Cont'd)

The credit terms of trade receivables range from 30 to 180 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:

	Group	
	2023 RM'000	2022 RM'000
Not past due	33,810	31,909
1 to 30 days past due	10,649	8,802
31 to 60 days past due	2,046	2,609
61 to 90 days past due	535	518
More than 90 days past due	418	457
	47,458	44,295

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

Group

	Not past due RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	More than 90 days past due RM'000	Credit- impaired RM'000	Total RM'000
2023							
Gross carrying amount	33,810	10,649	2,046	535	276	142	47,458
Average credit loss rate	0.29%	0.35%	1.61%	8.04%	11.96%	100.00%	0.81%
Loss allowance	97	37	33	43	33	142	385
2022							
Gross carrying amount	31,909	8,802	2,609	518	254	203	44,295
Average credit loss rate	0.23%	0.58%	0.77%	0.77%	2.36%	100.00%	0.81%
Loss allowance	73	51	20	4	6	203	357

The average credit loss rates were based on the payment profile of revenue over a period of 36 (2022 : 36) months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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10. Receivables (Cont'd)

Trade receivables (Cont'd)

The changes in the loss allowance are as follows:

	Group	
	2023 RM'000	2022 RM'000
Balance at 1 January	357	364
Impairment losses/(gains)	81	(10)
Write-offs	(61)	0
Currency translation differences	8	3
Balance at 31 December	385	357

11. Cash and cash equivalents

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances	35,415	37,000	17	3
Term deposits	18,880	8,817	0	0
Short-term funds - at fair value	73,437	72,310	7,101	547
	127,732	118,127	7,118	550

Cash and bank balances and term deposits are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

The effective interest rate of term deposits as at 31 December 2023 was 5.30% (2022 : 3.50%) per annum.

Short-term funds represent highly liquid investments in money market funds managed by financial institutions that invest in low-risk instruments, and are readily redeemable with insignificant risk of changes in value. Their fair values were directly measured using the unadjusted market values quoted by the financial institutions (i.e. Level 1).

12. Payables

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade payables:				
- Related parties*	800	1,082	0	0
- Unrelated parties	17,160	14,169	0	0
	17,960	15,251	0	0
Other payables	10,626	12,344	180	148
	28,586	27,595	180	148

* Being corporations in which certain directors of the Company and their close family members have substantial financial interests

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of trade and other payables range from 14 to 120 days.



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13. Loans and borrowings**Group**

	2023 RM'000	2022 RM'000
Unsecured		
Banker acceptances	8,756	18,153
Foreign currency trade loans	<u>11,051</u>	<u>21,591</u>
	<u>19,807</u>	<u>39,744</u>

The effective interest rates of loans and borrowings as at 31 December 2023 ranged from 3.38% to 5.85% (2022 : 1.34% to 5.05%) per annum.

Loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

14. Lease liabilities**Group**

	2023 RM'000	2022 RM'000
Gross lease liabilities:		
- Within 1 year	<u>133</u>	227
- 1 to 5 years	<u>55</u>	189
Total contractual undiscounted cash flows	188	416
Future finance charges	<u>(6)</u>	<u>(15)</u>
Present value of lease liabilities	<u>182</u>	<u>401</u>
Disclosed as:		
- Current liabilities	129	218
- Non-current liabilities	<u>53</u>	<u>183</u>
	<u>182</u>	<u>401</u>

The incremental borrowing rate applied to lease liabilities as at 31 December 2023 was 3.50% (2022 : 3.50% to 5.19%) per annum.

15. Derivatives**Group**

	2023 RM'000	2022 RM'000
Forward exchange contracts - at fair value	<u>230</u>	<u>233</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023

15. Derivatives (Cont'd)

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2023, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:

	2023		2022	
	To buy '000	To sell '000	To buy '000	To sell '000
Contract I	RM5,580	EUR1,100	RM6,061	EUR1,300
Contract II	0	0	THB36,168	USD1,000
Contract III	USD2,616	EUR2,400	0	0

The fair values of forward exchange contracts were directly measured using their unadjusted market values quoted by the financial institutions (i.e. Level 1).

16. Contract liabilities

Group

	2023 RM'000	2022 RM'000
Balance at 1 January	1,898	4,573
Revenue recognised from opening contract liabilities	(1,898)	(4,573)
Excess of consideration over revenue recognised	851	1,898
Balance at 31 December	851	1,898

As disclosed in Note 2.15, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

As a practical expedient, information about remaining performance obligations for contracts with original duration of one year or less has not been disclosed.

17. Retirement benefits

Group

	2023 RM'000	2022 RM'000
Present value of defined benefit obligations:		
- Balance at 1 January	1,120	1,009
- Defined benefit costs	180	91
- Currency translation differences	63	20
- Balance at 31 December	1,363	1,120



NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

17. Retirement benefits (Cont'd)

The components of defined benefit costs are as follows:

	2023 RM'000	2022 RM'000
Current service cost	135	123
Interest expense	45	20
Remeasurement of defined benefit liability:		
- Actuarial gains arising from experience adjustment	0	(308)
- Actuarial losses arising from changes in demographic assumptions	0	144
- Actuarial losses arising from changes in financial assumptions	0	112
	<u>180</u>	<u>91</u>

The principal actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:

	2023 RM'000	2022 RM'000
Discount rates	4.15 to 4.44	4.15 to 4.44
Future salary growth	<u>5.00</u>	<u>5.00</u>

The following table demonstrates the sensitivity of the defined benefit obligations to changes in each principal actuarial assumption that were reasonably possible at the end of the reporting period, with all other variables held constant:

	(Decrease)/Increase in defined benefit obligations	
	2023 RM'000	2022 RM'000
Increase in discount rate by 1%	(165)	(139)
Decrease in discount rate by 1%	200	170
Increase in future salary growth by 1%	206	163
Decrease in future salary growth by 1%	<u>(172)</u>	<u>(137)</u>

The liability durations of the defined benefit obligations range from 19 to 21 years.

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18. Share capital

	2023 RM'000	2022 RM'000
Issued and fully paid		
157,430,000 ordinary shares with no par value	<u>185,930</u>	<u>185,930</u>

Treasury shares

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 30 December 2004, approved the Company's plan to purchase its own shares. As at 31 December 2023, there were 3,912,000 (2022 : 3,912,000) ordinary shares purchased from the open market and held as treasury shares at total cost of RM8,190,000 (2022 : RM8,190,000). The number of outstanding shares in issue after excluding the treasury shares is 153,518,000 (2022 : 153,518,000).

19. Non-controlling interests ("NCI")

Group

	Accumulated NCI		Profit allocated to NCI	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Tong Heer Aluminium Industries Sdn. Bhd. and its subsidiaries	54,772	53,956	3,366	4,870
Tong Heer Fasteners (Thailand) Co., Ltd.	*0	*0	*0	*0
	<u>54,772</u>	<u>53,956</u>	<u>3,366</u>	<u>4,870</u>

* Negligible

The details of the subsidiaries that have NCI are as follows:

Name of subsidiary	Principal place of business/Country of incorporation	Effective ownership interest held by NCI		Principal activity
		2023	2022	
Tong Heer Aluminium Industries Sdn. Bhd. ("THAI")	Malaysia	49.00%	49.00%	Extrusion and fabrication of aluminium products
Tong Heer Fasteners (Thailand) Co., Ltd. ("THFT")	Thailand	0.01%	0.01%	Manufacture and sale of stainless steel fasteners including bolts, screws and all other threaded items
Subsidiaries of THAI				
Acme Aluminium Sdn. Bhd.	Malaysia	59.20%	59.20%	Trading of aluminium extrusion products and parts
Hwang Shin Industrial (M) Sdn. Bhd.	Malaysia	49.00%	49.00%	Investment holding



NOTES TO THE FINANCIAL STATEMENTS

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19. Non-controlling interests ("NCI") (Cont'd)

The financial information of THFT has not been disclosed as its NCI are not material to the Group. The summarised financial information of THAI and its subsidiaries is as follows:

	2023 RM'000	2022 RM'000
Non-current assets	22,829	25,280
Current assets	111,702	118,014
Current liabilities	(22,291)	(32,507)
Non-current liabilities	(1,829)	(1,942)
Net assets	110,411	108,845
Revenue	145,773	233,318
Profit (representing comprehensive income)	6,666	9,522
Dividends declared to NCI	2,550	2,690
Net cash from operating activities	11,525	22,300
Net cash from/(used in) investing activities	71	(596)
Net cash used in financing activities	(13,805)	(19,963)
Net cash (outflow)/inflow	(2,209)	1,741

20. Revenue**Group**

	2023 RM'000	2022 RM'000
Revenue from sale of goods	598,033	988,585
Disaggregated by major products:		
- Stainless steel fasteners	452,260	755,267
- Aluminium products	145,773	233,318
	598,033	988,585
Disaggregated by geographical areas:		
- Malaysia	124,110	201,300
- Republic of China (Taiwan)	152,930	222,586
- United States of America	126,045	263,638
- Others	194,948	301,061
	598,033	988,585

21. Impairment (losses)/gains on financial assets**Group**

	2023 RM'000	2022 RM'000
Trade receivables from contracts with customers	(81)	10

NOTES TO THE FINANCIAL STATEMENTS
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22. Profit before tax

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration	173	170	50	50
Depreciation of property, plant and equipment	13,486	15,705	0	0
Depreciation of right-of-use assets	793	861	0	0
Employee benefits expense (Note 23)	38,338	42,593	124	92
Fee expense for financial instruments not measured at fair value through profit or loss	234	341	1	1
Interest expense for financial liabilities not measured at fair value through profit or loss	1,088	3,038	0	0
Interest expense for lease liabilities	9	22	0	0
Inventories written down	1,100	749	0	0
Lease expense relating to:				
- Short-term leases	530	356	0	0
- Leases of low-value assets (other than short-term leases)	40	38	0	0
Loss on foreign exchange:				
- Realised	0	4,861	162	0
- Unrealised	1,034	609	0	0
Property, plant and equipment written off	11	29	0	0
and crediting:				
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	1,092	3,517	89	60
Gain on disposal of property, plant and equipment	0	117	0	0
Interest income for financial assets measured at amortised cost	888	183	7	0
Realised gain on foreign exchange	7,435	0	0	0
Reversal of inventories written down	297	305	0	0



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23. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Company:				
- Fees	320	410	120	90
- Other short-term employee benefits	1,031	2,025	4	2
- Defined contribution plans	141	176	0	0
	1,492	2,611	124	92
Directors of subsidiaries:				
- Fees	100	280	0	0
- Other short-term employee benefits	726	821	0	0
- Defined contribution plans	115	130	0	0
	941	1,231	0	0
Other employees:				
- Short-term employee benefits	34,059	36,784	0	0
- Defined contribution plans	1,666	1,824	0	0
- Defined benefit plans	180	143	0	0
	35,905	38,751	0	0
	38,338	42,593	124	92

The estimated money value of benefits received or receivable by certain directors otherwise than in cash from the Group amounted to RM53,000 (2022 : RM58,000).

24. Tax expense

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Tax based on results for the year:				
- Current tax	4,605	25,232	1,491	3
- Deferred tax	(323)	(233)	0	0
	4,282	24,999	1,491	3
Tax under/(over) provided in prior year:				
- Current tax	37	(153)	(34)	2
- Deferred tax	(72)	134	0	0
Withholding tax on dividend from foreign subsidiary	1,471	0	0	0
	5,718	24,980	1,457	5

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24. Tax expense (Cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	5.09	0.62	0.29	0.31
Non-taxable income	(1.45)	(0.11)	(15.12)	(24.29)
Tax incentive claimed	0.00	(0.12)	0.00	0.00
Effect of differential tax rates	(0.02)	(2.15)	(5.32)	0.00
Average effective tax rate	<u>27.62</u>	<u>22.24</u>	<u>3.85</u>	<u>0.02</u>

25. Earnings per share

Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2023	2022
Profit for the financial year attributable to owners of the Company (RM'000)	<u>6,422</u>	<u>82,537</u>
Weighted average number of shares in issue ('000)	<u>153,518</u>	<u>153,518</u>
Basic earnings per share (sen)	<u>4.18</u>	<u>53.76</u>

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

26. Dividends

Group and Company

	2023 RM'000	2022 RM'000
Final single tier dividend of 15 sen per share in respect of the financial year ended 31 December 2021	0	23,029
Final single tier dividend of 20 sen per share in respect of the financial year ended 31 December 2022	<u>30,704</u>	<u>0</u>
	<u>30,704</u>	<u>23,029</u>

A final single tier dividend of 7.5 sen per share in respect of the financial year ended 31 December 2023 will be proposed for shareholders' approval at the forthcoming annual general meeting.



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27. Notes to consolidated statement of cash flows**Group****Acquisition of right-of-use assets**

	2023 RM'000	2022 RM'000
Cost of right-of-use assets acquired	0	127
Acquisition by means of leases	0	(125)
Net cash disbursed	0	2

Short-term loans and borrowings

	2023 RM'000	2022 RM'000
Balance at 1 January	39,744	205,985
Net cash flow changes	(19,720)	(166,174)
Currency translation differences	(213)	(119)
Other changes	(4)	52
Balance at 31 December (Note 13)	19,807	39,744

Lease liabilities

	2023 RM'000	2022 RM'000
Balance at 1 January	401	570
Acquisition of right-of-use assets	0	125
Payments	(219)	(294)
Balance at 31 December (Note 14)	182	401

The total cash outflow for leases is as follows:

	2023 RM'000	2022 RM'000
Operating activities		
Lease expense recognised in profit or loss (Note 22)	570	394
Investing activities		
Acquisition of right-of-use assets	0	2
Financing activities		
Interest portion of lease liabilities (Note 22)	9	22
Principal portion of lease liabilities	219	294
	798	712

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27. Notes to consolidated statement of cash flows (Cont'd)

Term loans

	2023 RM'000	2022 RM'000
Balance at 1 January	0	9,785
Repayments	0	(9,785)
Balance at 31 December	0	0

28. Related party disclosures

Transactions with related parties during the financial year are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Key management personnel compensation:				
- Short-term employee benefits	2,871	4,349	124	92
- Defined contribution plans	372	471	0	0
	3,243	4,820	124	92
Acquisition of property, plant and equipment from other related party*	32	60	0	0
Dividends declared from subsidiaries	0	0	39,084	16,227
Purchase of goods from other related parties*	5,662	14,817	0	0
Receiving of services from other related party*	99	0	0	0
Sale of goods to other related parties*	132,765	208,989	0	0

* Being corporations in which certain directors of the Company and their close family members have substantial financial interests

29. Segment reporting

Group

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

- (i) Manufacture and sale of stainless steel fasteners
- (ii) Manufacture and sale of aluminium products

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

NOTES TO THE FINANCIAL STATEMENTS

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29. Segment reporting (Cont'd)**Operating segments** (Cont'd)

	Manufacture and sale of stainless steel fasteners RM'000	Manufacture and sale of aluminium products RM'000	Unallocated non- operating segments RM'000	Total RM'000
2023				
<u>Statement of financial position</u>				
Segment assets	523,013	134,531	7,142	664,686
Included in the measure of segment assets are:				
- Additions to non-current assets	12,555	287	0	12,842
Segment liabilities	31,383	24,120	180	55,683
<u>Statement of comprehensive income</u>				
Segment profit/(loss)	3,494	6,666	(372)	9,788
Included in the measure of segment profit/(loss) are:				
- External revenue	452,260	145,773	0	598,033
- Interest income	856	25	7	888
- Non-cash income	297	165	0	462
- Interest expense	398	699	0	1,097
- Depreciation	12,616	1,663	0	14,279
- Other non-cash expenses	2,801	1,075	0	3,876
- Tax expense/(income)	3,154	2,578	(14)	5,718
2022				
<u>Statement of financial position</u>				
Segment assets	557,054	143,294	573	700,921
Included in the measure of segment assets are:				
- Additions to non-current assets	4,577	1,011	0	5,588
Segment liabilities	49,225	34,449	148	83,822
<u>Statement of comprehensive income</u>				
Segment profit/(loss)	78,084	9,522	(199)	87,407
Included in the measure of segment profit/(loss) are:				
- External revenue	755,267	233,318	0	988,585
- Interest income	175	8	0	183
- Non-cash income	355	0	0	355
- Interest expense	2,417	643	0	3,060
- Depreciation	14,698	1,868	0	16,566
- Other non-cash expenses	1,722	1,501	0	3,223
- Tax expense	21,348	3,627	5	24,980

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29. Segment reporting (Cont'd)

Geographical information

In presenting the information about geographical areas, segment revenue is based on the geographical location of customers, whereas segment assets are based on the geographical location of assets:

	External revenue		Non-current assets	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	124,110	201,300	55,239	52,684
Thailand	17,673	31,989	90,240	89,349
Republic of China (Taiwan)	152,930	222,586	0	0
United States of America	126,045	263,638	0	0
Others	177,275	269,072	0	0
	<u>598,033</u>	<u>988,585</u>	<u>145,479</u>	<u>142,033</u>

Major customers

The Group did not have any major customer that contributed 10% or more of its total revenue.

30. Contractual commitments

Group

	2023 RM'000	2022 RM'000
Acquisition of property, plant and equipment	<u>6,309</u>	<u>3,239</u>

31. Financial guarantee contracts

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM275,914,000 (2022 : RM267,594,000). The total utilisation of these credit facilities as at 31 December 2023 amounted to RM59,781,000 (2022 : RM43,445,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

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32. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit risk

The Group's exposure to credit risk arises mainly from receivables, derivative contracts and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 31.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 10. As the Group only deals with reputable financial institutions, the credit risk associated with derivative contracts and deposits placed with them is low.

Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Thai Baht ("THB"), whereas the major foreign currencies transacted are US Dollar ("USD") and Euro ("EUR"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:

	Group			
	Denominated in USD		Denominated in EUR	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Receivables	24,959	20,671	2,556	1,543
Cash and cash equivalents	36,146	26,408	4,267	4,775
Payables	(11,716)	(6,435)	(434)	(236)
Loans and borrowings	(11,051)	(21,591)	0	0
	38,338	19,053	6,389	6,082

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32. Financial risk management (Cont'd)

Currency risk (Cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss and equity to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	Group	
	Profit/(Loss) and equity	
	2023 RM'000	2022 RM'000
Appreciation of USD against RM by 3% (2022 : 4%)	542	452
Depreciation of USD against RM by 3% (2022 : 4%)	(542)	(452)
Appreciation of USD against THB by 3% (2022 : 5%)	340	165
Depreciation of USD against THB by 3% (2022 : 5%)	(340)	(165)
Appreciation of EUR against RM by 3% (2022 : 1%)	145	44
Depreciation of EUR against RM by 3% (2022 : 1%)	(145)	(44)
Appreciation of EUR against THB by 2% (2022 : 1%)	0	3
Depreciation of EUR against THB by 2% (2022 : 1%)	0	(3)

Interest rate risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities, all of which are fixed rate instruments.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

33. Capital management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:

	Group	
	2023 RM'000	2022 RM'000
Loans and borrowings	19,807	39,744
Lease liabilities	182	401
Total interest-bearing debts	<u>19,989</u>	40,145
Total equity	<u>609,003</u>	617,099
Total capital	<u>628,992</u>	<u>657,244</u>
Debt-to-equity ratio (times)	<u>0.03</u>	0.07

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

SCHEDULE OF PARTICULARS OF LAND & BUILDINGS

Location	Year of Acquisition / * Valuation	Description	Approximate Land Area (square metres)	Age of Building (years)	Tenure	Carrying Amount at 31.12.2023 (RM'000)
2515 Tingkat Perusahaan 4A Perai Free Trade Zone 13600 Perai	* 26 Jun 1995	Industrial Land	49,127	-	Leasehold (60 years)	3,494
2517 Tingkat Perusahaan 4A Perai Free Trade Zone 13600 Perai	20 Sep 2006 362 mths to expiry incl. Sept. 06	Industrial Land	22,356	-	Leasehold (60 years)	2,411
	1 Jan 2010	New factory building	13,602	14	-	6,373
Amata Nakorn Industrial Estate 700/553 Moo 7, Thambon Don Hua Roh Amphur Muang honburi 20000 Thailand	17 Jan 2005	Industrial Land	25,136	19	Freehold	6,119
Pinthong Industrial Estate (Laem chabang) 150, Moo 9 Nong-Kham Sriracha, Chonburi 20110 Thailand	9 Feb 2011	Industrial Land	120,429	-	Freehold	23,381
	1 Apr 2013	Factory Building	13,935	11	-	7,965
	1 Apr 2021	Factory Building	9,796	-	Freehold	10,269
Plot 17A Jalan Perusahaan Prai Industrial Estate 13600 Perai	23-Aug-10 362 mths to expiry incl. May 1991	Industrial Land	26,749	-	Leasehold (60 years)	4,726
	23 Aug 2010	Factory Building	14,265	31	-	5,734
Plot 17B Jalan Perusahaan Prai Industrial Estate 13600 Perai	13 April 2021 359 mths to expiry incl. Oct. 1991	Industrial Land	8,093	-	Leasehold (60 years)	5,153
Total						75,625

SHAREHOLDINGS STATISTICS

as at 27 March 2023

Total number of issued shares	157,430,000*
Class of shares	Ordinary shares
Voting rights	One vote for every ordinary share held

* Including 3,912,300 ordinary shares as treasury shares.

Breakdown of shareholdings

Size of shareholdings	No. of shareholders	No. of shares	% of issued share capital
1-99	53	1,642	0.001
100 - 1,000	523	379,200	0.247
1,001 - 10,000	2,028	8,153,574	5.311
10,001 - 100,000	532	15,363,382	10.007
100,001 - 7,675,884*	61	19,384,552	12.626
7,675,885 and above (**)	2	110,235,350	71.806
	<u>3,199</u>	<u>153,517,700</u>	<u>100.000</u>

Thirty largest shareholders

Name	No. of shares	% of issued share capital
1 ALLRICH CORP	61,191,043	39.859
2 RICHARD HOLDINGS LIMITED	49,044,307	31.947
3 NEOH CHOO EE & COMPANY, SDN. BERHAD	2,008,000	1.307
4 CARTABAN NOMINEES (TEMPATAN) ICAPITAL.BIZ BERHAD	1,888,100	1.229
5 TSAI MING TI	1,497,150	0.975
6 TSAI LIAO CHIN YEH	927,100	0.603
7 THEN YOON YIN	730,000	0.475
8 TSAI PEI CHEN	574,200	0.374
9 AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR LITTLE RAIN ASSETS LIMITED	530,000	0.345
10 TSAI MING TI	523,252	0.340
11 LEE HAU HIAN	468,000	0.304
12 LIEW YOON YEE	380,000	0.247
13 LAI CHEE SIEW	369,000	0.240
14 LIN, YEN-HUNG	344,950	0.224
15 DENVER CAPITAL SDN BHD	330,000	0.214
16 WONG YOON CHYUAN	324,000	0.211
17 WONG YOON TET	305,000	0.198
18 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR DYNAQUEST SDN. BHD. (PB)	300,000	0.195
19 YAU LI ZA	279,000	0.181

SHAREHOLDINGS STATISTICS

as at 27 March 2023

Thirty largest shareholders (Cont'd)

	Name	No. of shares	% of issued share capital
20	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LOH CHOOI TENG (JLNKUNINGDUA -CL)	276,200	0.179
21	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	268,700	0.175
22	LIEW YOON YEE	260,000	0.169
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD LEM HON SAN	260,000	0.169
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LIM CHIEN CH'ENG (PB)	230,000	0.149
25	DYNAQUEST SDN. BHD.	220,000	0.143
26	LIEW SWEE MIO @ LIEW HOI FOO	220,000	0.143
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TIAN SANG @ TAN TIAN SONG(E-PPG)	213,000	0.138
28	TSAI LIAO CHIN YEH	206,950	0.134
29	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR GOALKEY SYSTEM SDN BHD (MY14 61)	205,000	0.133
30	LOH LOON TEIK SDN.BHD	200,000	0.130
		124,572,952	81.434

Substantial shareholders

	Name	Direct interest	% Indirect interest	%
1	Allrich Corp	61,191,043	39.859	-
2	Richard Holdings Limited	49,044,307	31.947	-
3	Tsai Ming Ti	2,020,402	1.316	50,178,357 ^{*1} 32.686
4	Tsai Liao Chin Yeh	1,134,050	0.739	51,064,709 ^{*2} 33.263
5	Tsai Yi Ting	198,000	0.129	49,044,307 ^{*3} 31.947
6	Tsai Pei Chen	731,100	0.476	49,044,307 ^{*3} 31.947
7	Tsai Chia Chen	51,300	0.033	- ^{*3} -
8	Tsai, Jane-Rong	-	-	61,191,043 ^{*4} 39.859
9	Tsai, Hung-Chuan	-	-	61,191,043 ^{*4} 39.859



TONG HERR RESOURCES BERHAD

SHAREHOLDINGS STATISTICS

as at 27 March 2023

Directors' Shareholding as at 27 March 2023

Name	Direct interest in shares	% of issued capital	Indirect interest in shares	% of issued capital
1 Tsai Ming Ti	2,020,402	1.316	50,178,357 ^{*1}	32.686
2 Tsai Yi Ting	198,000	0.128	49,044,307 ^{*3}	31.947
3 Tsai Pei Chen	731,100	0.476	49,044,307 ^{*3}	31.947
4 Tsai, Hung-Chuan	-	-	61,191,043 ^{*4}	39.859
5 Tsai, Chia-Yen	-	-	-	-
6 Tan Ban Leong	45,000	0.029	-	-
7 Datin Nik Haslinda Binti Nik Mohd Hashim	-	-	-	-
8 Rohaizza Binti Mohamed Basir	-	-	-	-
9 Soon Gim Wooi	-	-	-	-

Notes:

^{*1} Deemed interested by virtue of his shareholdings in Richard Holdings Limited and his spouse, Tsai Liao Chin Yeh's shareholding in THR

^{*2} Deemed interested by virtue of her spouse, Tsai Ming Ti shareholdings in Richard Holdings Limited and THR

^{*3} Deemed interested by virtue of his/her shareholdings in Richard Holdings Limited

^{*4} Deemed interested by virtue of his/her shareholdings in Allrich Corp

ADMINISTRATIVE GUIDE

FOR THE TWENTY-SEVENTH ANNUAL GENERAL MEETING ("27TH AGM")

REGISTRATION

- The registration counter starts at 1.00 p.m. on Wednesday, 29 May 2024 and will open until the conclusion of the 27th AGM or such time may be determined by the Chairman of the Meeting.
- Shareholders or proxies are requested to produce/show their original MyKAD or Passport (for non-Malaysians) to the registration staff for verification purposes. Please ensure the original MyKAD or Passport is returned to you thereafter. Please take note that no person will be allowed to register on behalf of another person, even with the original MyKAD or Passport of that person.
- Upon verification, shareholders or proxies will also be given the identification wristbands for voting purposes. No person will be allowed to enter the meeting hall without the identification wristband. There will be no replacement for the identification wristband if it is lost or misplaced.

CORPORATE MEMBERS

- Corporate members who wish to appoint corporate representatives instead of a proxy, must deposit their original or duly certified certificate of appointment of corporate representative to Tricor Investor & Issuing House Services Sdn. Bhd. ("TIIH") on or before the Annual General Meeting.
- Attorneys appointed by power of attorney are required to deposit their power of attorney with TIIH not later than Monday, 27 May 2024 at 2.00 p.m. to attend and vote at the 27th AGM.

PROXY

The appointment of proxy may be made in hard copy form or by electronic form in the following manner and must be received by the Company at least forty-eight (48) hours before the time appointed for holding the 27th AGM or any adjournment thereof, otherwise the Proxy Form shall not be treated as valid:

In hardcopy Form

In case of an appointment made in hardcopy form, the proxy form must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 George Town, Penang.

In electronic mean

You may also submit the proxy appointment electronically via TIIH Online website at <https://tiih.online>. Please do read and follow the procedures below to submit proxy form electronically.



TONG HERR RESOURCES BERHAD

ADMINISTRATIVE GUIDE FOR THE TWENTY-SEVENTH ANNUAL GENERAL MEETING ("27TH AGM")

ELECTRONIC LODGMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's TIH Online website are summarised below:

Procedure	Action
i Steps for Individual Shareholders	
Register as a User with TIH Online	<ul style="list-style-type: none">• Using your computer, please access the website at https://tih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.• If you are already a user with TIH Online, you are not required to register again.
Proceed with submission of form of proxy	<ul style="list-style-type: none">• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.• Select the corporate event: "Tong Herr Resources Berhad 27th AGM - Submission of Proxy Form".• Read and agree to the Terms and Conditions and confirm the Declaration.• Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.• Appoint your proxy/proxies and insert the required details of your proxy/proxies or appoint the Chairman as your proxy.• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.• Review and confirm your proxy(s) appointment.• Print the form of proxy for your record.
ii Steps for corporate or institutional shareholders	
Register as a User with TIH Online	<ul style="list-style-type: none">• Access TIH Online at https://tih.online• Under e-Services, the authorised or nominated representative of the corporate or institutional shareholder selects "Create Account by Representative of Corporate Holder".• Complete the registration form and upload the required documents.• Registration will be verified, and you will be notified by email within one (1) to two (2) working days.• Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporate or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of form of proxy	<ul style="list-style-type: none">• Login to TIH Online at https://tih.online• Select the corporate event: "Tong Herr Resources Berhad 27th AGM: Submission of Proxy Form".• Agree to the Terms & Conditions and Declaration.• Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.• Prepare the file for the appointment of proxies by inserting the required data.• Login to TIH Online, select corporate event: "Tong Herr Resources Berhad 27th AGM - Submission of Proxy Form".• Proceed to upload the duly completed proxy appointment file.• Select "Submit" to complete your submission.• Print the confirmation report of your submission for your record.

GENERAL MEETING RECORD OF DEPOSITORS

For the purpose determining who shall be entitled to attend the 27th AGM, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at **21 May 2024** and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

ADMINISTRATIVE GUIDE
FOR THE TWENTY-SEVENTH ANNUAL GENERAL MEETING ("27TH AGM")

NO RECORDING OR PHOTOGRAPHY

No recording or photography of the 27th AGM proceedings is allowed without prior written permission of the Company.

REFRESHMENT AND DOOR GIFT

There will be no distribution of door gift and refreshment during the 27th AGM.

We thank you for your continuous support to the Company.

ENQUIRY

If you have any enquiry prior to the meeting, you may contact the Share Registrar at:

Tricor Investor & Issuing House Services Sdn Bhd

Registration No. 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3,
Bangsar South No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Telephone Number

General Line	603-2783 9299
Ashvinder Singh	603-2783 7962 <i>ashvinder.singh@my.tricorglobal.com</i>
Muhammad Asyran	603-2783 9249 <i>muhammad.asyran@my.tricorglobal.com</i>
Fax Number	603-2783 9222
Email	<i>ls.enquiry@my.tricorglobal.com</i>

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PROXY FROM

TONG HERR RESOURCES BERHAD

[Company No. 199701016642 (432139-W)]

CDS Account No.	No. of Shares Held

I/We _____ (*NRIC No./ Company No./ H/P No. _____) of _____ being a member/members of TONG HERR RESOURCES BERHAD ("the Company") hereby appoint: -

First Named Proxy & H/P No.		Proportion of Shareholdings (%)
Full Address		
Second Named Proxy & H/P No.		Proportion of Shareholdings (%)
Full Address		
		100

failing him/her, the Chairman of the meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at No. 2515 Tingkat Perusahaan 4A, Perai Free Trade Zone, 13600 Perai, Penang on Wednesday, 29 May 2024, at 2.00 p.m. and at any adjournment thereof to vote as indicated below:

ORDINARY RESOLUTIONS		*FOR	*AGAINST
1.	To approve the payment of a Final Single Tier Dividend of RM0.075 per share for the year ended 31 December 2023.		
2.	To re-elect the following Directors retiring under the Article 95(1) and Article 102 of the Constitution of the Company respectively, and who, being eligible had offered themselves for re-election: - Mr. Tsai Ming Ti [Article 95(1)]		
3.	Mr. Tan Ban Leong [Article 95(1)]		
4.	Ms. Tsai, Chia-Yen [Article 95(1)]		
5.	Datin Nik Haslinda Binti Nik Mohd Hashim [Article 102]		
6.	Puan Rohaiza Binti Mohamed Basir [Article 102]		
7.	Mr. Soon Gim Wooi [Article 102]		
	Renewal of Authority to Purchase its own Shares		
8.	To appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorize the Board of Directors to determine their remuneration.		
9.	To approve the Payment of Directors' Fees and Benefits amounting to RM150,000 only		
10.	Proposed to Issue Shares and Waiver of Pre-Emptive Rights		
11.	Proposed Renewal of Authority to Purchase its own Shares		
12.	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and Trading Nature		
13.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and Trading Nature		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

* Strike out whichever is not desired.

As witness my hand this day of....., 2024.

.....



Signature of Member(s)/ Common Seal of Member

Notes

1. In respect of deposited securities, only depositors whose names appear in the Record of Depositors as at 21 May 2024 shall be entitled to attend the Meeting and to speak or vote thereat.
2. A member of the Company who is entitled to attend and vote at a meeting of the Company, may appoint not more than two (2) proxies to attend and vote instead of the member at the meeting. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. A proxy need not be a member. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company who is an authorized nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorized.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarized certified copy of that power or authority, shall be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 George Town, Penang or alternatively, to submit the proxy form electronically via TIIH Online website at <https://tiih.online> not less than forty-eight (48) hours before the time fixed for holding the meeting. Please refer to the Administrative Guide for the 27th AGM on the procedure for electronic lodgement of proxy form.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of 27th Annual General Meeting dated 29 May 2024.

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Affix
Stamp

TONG HERR RESOURCES BERHAD
[Registration No. 199701016642 (432139-W)]
To: The Company Secretaries
C/O TMF Administrative Services Malaysia Sdn Bhd
Suite S-21-H, 21st Floor, Menara Northam,
55 Jalan Sultan Ahmad Shah,
10050 George Town, Penang

Then fold here

TONG HERR RESOURCES BERHAD

[Registration No. 199701016642 (432139-W)]

No. 2515, Tingkat Perusahaan 4A,
Perai Free Trade Zone,
13600 Perai, Penang, Malaysia
T : +604 - 3903970
F : +604 - 3900840

www.tong.com.my